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COMPLETED IN FULFILMENT OF DOCTOR OF PHILOSOPHY IN
MEDIA AND CULTURAL STUDIES

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UNIVERSITY OF NATAL
DURBAN
2002
ACKNOWLEDGMENTS
I would like to express my sincere gratitude to Prof. K.G. Tomaselli of the Cultural and Media Studies Program at University of Natal for his tireless supervision of this project. It was undoubtedly through his unparalleled mentoring and tutelage that this project was completed. Without his encouragement and guidance during frustrating and lonely times the study would have been abandoned.

To Transregional Centre for Democratic Studies (TCDS) at New School in New York, I say thank you for granting me the opportunity to work on this project in New York City. This was a wonderful and a lifetime experience in terms of thinking about this project outside South Africa.

To Elaine Binedell for the time she spent reading this work to ensure that every sentence, expression and word had its intended meaning.

To my mother, Mathomo, I say thank you for bringing me up even during difficult times. You should also thank God for giving you such a wonderful brother, Phefo, who used his last penny to send me to school.

To my loving wife, Lebo, it is so unfortunate that the writing of this project meant less time with you. The tremendous support and encouragement you have shown during this time were immeasurable. May our Love last forever!

All the praises should be to the Almighty God who once again led me through the difficult times of my life from the poor farm to the corridors of universities and skyscrapers. To me this project represents the Journey of Hope, Sacrifice, Courage and Determination!
Declaration

I, Gibson Mashilo Simon Boloka, declare that *Globalization and the Restructuring of the Post-Apartheid Media, 1994-1999: Exploring Black Empowerment* submitted in fulfillment for the Doctor of Philosophy is my own work and that all sources used in this regard have been duly acknowledged.

Signed:..........................  Date:..........................
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Abstract

This study investigates the process of Black Economic Empowerment within the South African media industry between 1994 and 2000. Within the context of this study, empowerment is described generally as the upliftment of the previously disadvantaged communities, in particular blacks. This was aimed at overcoming economic equality by creating capital within the historically disadvantaged people, who have been segregated by apartheid on the basis of their race. The capital created is expected to help in job creation, support of small, medium and micro enterprises, social development and advancement. The study presents empowerment as occurring in two ways: through the recruitment of the historically disadvantaged community to ensure that the South African media companies reflect the demographics of the country, and making partnerships with media companies from historically disadvantaged background in an attempt to enhance their economic participation.

From its inception, BEE was enforced by the ANC-led government. Its enforcement can be seen in the way the government legislated the process and also the way it sold some of its assets to black-owned firms. Although this was a positive step to accelerate the process of empowerment, it had serious implications. Firstly, historically white-owned firms did not merge with the empowerment companies with the intention of empowering them, but rather as a strategy to survive in the changing political and economic environment. Secondly, it created a dependency problem whereby empowerment companies relied on the government every time things went wrong in the market. The
entry of BEE firms in the industry was smooth, as reflected through the number of empowerment firms after 1994, the number of deals in the name of empowerment and the changed nature of the South African media industry. However, the imminent closures and bankruptcy faced by some of them and the financial crises experienced by others after their entry, demonstrate the magnitude of the problems besetting empowerment in the South African media industry. These problems were exacerbated by stiff competition from non-empowerment companies, who thwarted or counteracted many of the initiatives by empowerment companies.

To rescue empowerment, BEE firms restructured, marking the end of what is referred to in this study, the first phase of first generation empowerment. This resulted in some of the assets being unbundled, including those that had a broad empowerment shareholding base, while empowerment strategies within the BEE companies were dropped. As part of this process, BEE firms rushed for the global markets in their quest to expand their operations. These processes did not only mark the end of the first phase in the history of empowerment, they also brought a paradigm shift in empowerment, thus demonstrating the beginning of the second phase. In this phase commercial interests became the driving factor, not only for the empowerment companies, but also for the government, who accelerated the privatisation of labour intensive institutions such as Telkom as part of its strategies to increase revenues and attract foreign investments. This shift was not well received, and conflict with the social movements and the industry regulator erupted over what was considered to be inappropriate way to empowerment. The conflict was very broad, occurring both within and outside of the market. In the market, it was fought
along economic lines between BEE firms themselves on one hand, and BEE firms and non-empowerment companies on the other. Within this framework, the industry regulator, IBA/ICASA entered the fray in an attempt to protect empowerment and the industry in general. Outside of the market framework, the conflict involved the government, black business organisations and social movements following the government’s widespread privatization, which also allowed transnational corporations to buy huge stakes in the South African media companies as part of transnationalisation. Although these institutions agree that there should be empowerment, their disagreement lies over how the process should be carried out. Despite the tendency of these conflicts to subside at one point and resurface at another, they have become part and parcel of empowerment, therefore synonymous with it.

Based on this, this study examines how the process was carried out in the media industry. It is argued within this study that as these processes unfolded, resulting in the shift pointed out above, they impacted on empowerment. These conflicts demonstrate empowerment as a contested process both within and outside of the media market. Therefore, this study analyses the origin and nature of these conflicts, how they shape empowerment and their implications for the future of this initiative.

The study is located within Mosco’s political economy approaches based on three entry points, namely, commodification, spatialization and structuration. Mosco’s political economy is not only relevant in terms of analysing the importance of power initiatives like empowerment, but also in demonstrating how commercial interests drive this power.
However, since the empowerment companies were not existent in the media prior to 1994, it is important to explore them in relation to their market structure, sizes, conduct and performance in an attempt to understand some of the issues raised above. Therefore, a media economics analysis is offered to complement Mosco’s political economy. The media economics applied in this study draws on the theories of exponents such as Douglas Gomery, Petros Iosifides, Robert Picard and Alan Albarran.
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<td>AAA</td>
<td>Association of Advertising Agencies</td>
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<tr>
<td>AHI</td>
<td>Afrikaanse Handel Instituut</td>
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<td>AMB</td>
<td>African Merchant Bank</td>
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<td>AME</td>
<td>African Media Entertainment</td>
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<td>AMPS</td>
<td>All Media Product Survey</td>
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<td>ANC</td>
<td>African National Congress</td>
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<td>APB</td>
<td>Afrikaans Pers Beperk</td>
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<td>ASOM</td>
<td>Association of Marketers</td>
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<td>AWB</td>
<td>Afrikaanse Weerstande Beweging</td>
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<td>BBC</td>
<td>British Broadcasting Corporation</td>
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<td>BDFM</td>
<td>Business Day Financial Mail</td>
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<tr>
<td>BEE</td>
<td>Black Economic Empowerment</td>
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<td>BEEC</td>
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<td>BMF</td>
<td>Black Management Forum</td>
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<td>CNN</td>
<td>Cable News Network</td>
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<td>CODESA</td>
<td>Convention for a Democratic South Africa</td>
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<td>COSATU</td>
<td>Congress of South African Trade Union</td>
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<td>CPR</td>
<td>City Press Rapport Media</td>
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<td>DSTV</td>
<td>Digital Satellite Television</td>
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<td>EDI</td>
<td>European Development International</td>
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<td>EU</td>
<td>European Union</td>
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<td>GEAR</td>
<td>Growth, Employment And Redistribution</td>
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<td>HCI</td>
<td>Hoskens Consolidated Investments</td>
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<tr>
<td>IBA</td>
<td>Independent Broadcasting Authority</td>
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<tr>
<td>ICASA</td>
<td>Independent Communications Authority of South Africa</td>
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<tr>
<td>IEC</td>
<td>Independent Electoral Commission</td>
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IMF  International Monetary Fund
ING  Independent Newspapers Group
JCI  Johannesburg Consolidated Investment
Johnnic  Johannies Investment Corporations
JSE  Johannesburg Stock Exchange
KTI  Kagiso Trust Investments
LSM  Living Standard Measures
MDC  Media Directors' Circle
METLIFE  Metropolitan Life
MIC  Mineworkers Investments Corporations
MIH  Multi-Choice International Holdings
MIT  Marketing Industry Trust
M-NET  Electronic Media Network
MTN  Mobile Telephone Network
NAB  National Association of Broadcasters
NAC  New Africa Capital
NACTU  National Council of Trade Unions
NAFCOC  National Federación of African Chamber of Commerce
NAFTA  North Atlantic Free Trade Agreement
NAIL  New Africa Investment Limited
NAM  New Africa Media
Naspers  Nasionale Pers
NATO  North Atlantic Treaty Organization
NDR  National Democratic Revolution
NEC  National Empowerment Consortium
NP  National Party
NUM  National Union of Mineworkers
NUMSA  National Union of Mineworkers of South Africa
NWICO  New World Information and Communication Order
OAASA  Outdoor Advertising Association of South Africa
OAU  Organization of African Unity
PAC
PERSBEL
Perskor
PMSA
PSL
RAMS
RDP
REMGRO
SAAN
SAARF
SABC
SACP
SACTWU
SADC
SANCO
SANGOCO
SANLAM
SATRA
SMMEs
SNO
TAMS
TML
TNCs
UAM
UDF

Pan Africanist Congress
Pers Beleggings
Afrikaans PersKorporasie
Print Media South Africa
Premier Soccer League
Radio Audience Measurement Survey
Reconstruction Development Program
Rembrandt Group
South African Associated Newspapers Company
South African Advertising Research Foundation
South African Broadcasting Corporation
South African Communist Party
South African Clothing and Textile Workers Union
South African Development Community
South African National Civic Organization
South African Non-Governmental Coalition
Suid-Afrikaanse LewensAssuransie Maatskappy
South African Telecommunication Regulatory Authority
Small, Medium and Micro Enterprises
Second Network Operator
Television Audience Measurement Survey
Times Media Limited
Transnational Corporations
Union Alliance Media
United Democratic Front
Introduction

Background to the Study

The demise of apartheid in South Africa in 1994 changed the face of the South African media in several important ways. To the media industry, the change was an outcome of the protracted negotiations processes, the history of which can be dated back to three conferences, namely, The Free, Fair and Open media conference, Jabulani! Freedom of the Airwaves held in Doorn, Netherlands in 1991 and the Arniston Media Policy Workshop organised by the then-Deputy President Thabo Mbeki, 25 August 1995. The Free, Fair and Open media conference was aimed at identifying the necessary changes required to ensure that the media was in tune with the democratic transition in the country. The resolutions taken at the conference were submitted to the Convention for a Democratic South Africa (CODESA). Amongst the ideas proposed at this conference was the establishment of an independent body that would deal with the deregulation of broadcasting, licensing policies and procedures, media ownership and so forth.

The Jabulani! Freedom of the Airwaves was more concerned with broadcasting, particularly with regard to the deregulation of the broadcasting sector to include three levels: the public, commercial and community. Other issues raised at this conference were training, education and development, cultural diversity and language and the role of the private sector in realising these issues. In all these points, accessibility and diversity were accentuated. While Jabulani! Freedom of the Airwaves dealt

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1 The conference was jointly convened by the Campaign for Open Media (COM) and Centre for Development Studies of the University of the Western Cape, 30 January 1992. According to Lithwa (1993: 314), "the objective of the conference was to draw together the broadest possible range of media and political opinion in South Africa to identify the changes necessary to ensure that the media contributes to the fullest possible extent during the transition to a climate for free political participation and free and fair elections".
mainly with issues of freedom within the media in a democratic society, the Arniston Media Policy Workshop emphasised, in particular, the cross-media ownership and foreign ownership of print media, ownership and control of the media to ensure greater diversity. These issues were raised within the context of the predominantly white ownership of the media raised earlier.

It was during the above interactions that different anti-apartheid movements and organisations, including the African National Congress (ANC) repeatedly raised issues about representativity and access to information in the South African media. Like the Jabulani! Freedom of the Airwaves, the ANC’s position was somewhat focused on broadcasting, as it was oriented towards the SABC. It advocated accessibility and diversity through the development of community media and the establishment of a media subsidy system to level the media economics field. All these initiatives were totally against the establishment of media monopolies (see Louw, 1993). The ANC’s media policy, in my view, has to be linked to its definition of democracy premised on three assumptions: direct participation, communal understanding of society and the notion of rule by the majority (Louw, 1993). In all the positions, the role of government in cultivating, implementing and enforcing a social democratic ethos was emphasised as critical. Although other sectors such as the Internet, outdoor advertising, telecommunications and so forth were somehow subsumed in some of the discussions above, they could not be adequately be dealt with in a separate way because of the early stage of their development, especially the Internet and outdoor advertising.

These interactions paved the way and laid a foundation for major changes in the history of South

2 CODESA was the first body comprising all political parties discussing South Africa’s transition in the early 1990s.
African media. As part of this transformation process, South Africa’s independent broadcasting regulator, the Independent Broadcasting Authority (IBA) was inaugurated, for example. The IBA’s formation had a significant impact in terms of ensuring access and diversity in the broadcasting industry. This was demonstrated by the licencing of community radio stations across the country in the mid-1990s to offer alternative voices to mainstream media. By the end of 1996, a total of 77 licences had been issued in the community radio sector (see also Teer-Tomaselli, 2000). Drawing on this, it becomes quite apparent that, apart from fostering the entry of black-owned capital in the media industry through the awarding of licences and the putting in place standard regulatory procedures to create stability in the industry, the IBA further increased the number of role players and choices in the broadcasting industry.

In other media sectors, the purchase of or joint ventures with apartheid conglomerates allowed black-owned capital to inherit massive media assets, thereby allowing them the opportunity to be involved in the various media markets including the Internet, print, outdoor advertising, telecommunications and so forth.

The content of the conferences, the eventual entry of black role players and foreign investors in the media industry illustrate the transformation of the South African media, which brought with it two processes occurring simultaneously. The first process is referred to as Black Economic Empowerment (BEE), represented by the entry of companies such as Kagiso Media, African Media Entertainment (AME), Johnnies Investment Corporation (Johnnic) and New Africa Investment
Limited (NAIL). The emergence of these companies signalled the entry of black-owned capital in the once white dominated media market. In radio broadcasting, the entry of black capital took place in a variety of ways: via the purchase of former SABC radio stations (Jacaranda FM, KFM, Highveld Stereo, Radio Algoa) and acquiring stakes in new licences issued by the regulator both in radio and television. The issuing of new licences signified the birth of multiple voices in South Africa as private radio stations such as Kaya, YFM, P4, Cape Talk and Punt commenced their broadcast operations in different geographical markets. In the television market, the birth of the first commercial free-to-air broadcaster, e-tv, changed the face of television in South Africa which over the years was dominated by both the SABC and M-Net.

The second process is seen through heightened capital mobility between the local and the foreign markets, referred to as globalization. Contrary to the first process, globalization allowed strategic reassessments by certain South African capitalist monopolies and enabled foreign media companies to buy into the South African media market. This resulted in the exploitation of the assets of undervalued and under-performing media, particularly newspapers and television (Teer-Tomaselli and Tomaselli, 2000). Driven and shaped by the government through its policies and legislation, this process led to Transnational Corporations (TNCs) such as Time Warner and Independent Newspapers Group (ING) entering the South African market by buying into e-tv and Argus Newspapers respectively. These processes intensified when the government accelerated its liberalisation, privatisation and commercialisation plans, especially in telecommunications. This resulted in a number of TNCs further buying huge stakes on the South African market.

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3 A black consortium under the chairmanship of Dr Nthato Motlana. Motlana was a leader of the Soweto Committee of Ten during the 1970s. He went on to become Nelson Mandela's physician.
This process of 'transnationalisation' was exacerbated after 1994 as local media companies were listed on international stock markets and foreign media companies were listed on the Johannesburg Stock Exchange (JSE). Mergers and partnerships were negotiated across the board between South African and foreign capital. The result saw a significant rise in black capital at the stock exchange, which signalled their increased participation. These interlinked processes completely changed the face of the South African media, which previously was entirely South African, white-owned, and characterised by monopoly (see also Louw, 1997).

By BEE, I refer to a process, which gained prominence in 1993 in South Africa, embodying the economic upliftment of the previously disadvantaged communities, in particular blacks as the term itself denotes. This process represents broadly what Cyril Ramaphosa\(^4\) calls, "the transference of social, political and economic power to historically disadvantaged South Africans" (*Sunday Times Business Times*, 9 November 1997:1). Although blacks were the hardest hit by the apartheid economy, the term is used here to refer also to other groups that were previously disadvantaged by the apartheid legislation on the basis of their race, including Indians and coloureds. In the media industry, the process is manifested at institutional and community levels. At the institutional level, the process involves joint partnerships, the unbundling and selling of assets and shares to these disadvantaged people and having them in both policy and decision-making structures of individual companies and organisations. The community level covers issues relating to social upliftment

\(^4\) Cyril Ramaphosa was previously with the National Union of Mineworkers (NUM) and the ANC's General-Secretary. Ramaphosa was a key player in the unbundling negotiations that transferred Johnnie to black ownership. He later held management positions at NAIL, Johnnie and Molope Foods.
through community projects sponsored by business, Small, Medium and Micro Enterprises support (SMMEs) and job creation. BEE is eloquently defined by Phinda Madi (City Press, 05 February 1999: 13) who perceives it as "implying the conferring of economic power to those who previously did not have it". This description accentuates the economic power to overcome the economic gap between whites and historically disadvantaged groups, which was widened by apartheid.

The primary aim of black economic empowerment is to redress the economic imbalances created by apartheid. As Browning (1989: 7) writes, "black economic empowerment became widely used in the context of South Africa’s search for a new political dispensation". For Browning, black economic empowerment has two quite distinct elements: i) the breaking down of social barriers as a result of increased black income. This will presumably lead to changes in lifestyle and greater communication between blacks and whites, which will, in turn, facilitate the process of political change; and ii) the creation of wealth within the black community so that in this capitalist society blacks will be able to vote with their money for the betterment of their lives. As Kieffer (1984: 27) confirms, "in becoming empowered, individuals are not merely acquiring new practical skills, they are reconstructing and reorienting deeply engrained personal systems of social relations." The unfortunate scenario however, is that these tasks have to be undertaken in an environment which historically has enforced their political repression.

BEE was intended to assist in creating jobs and developing these communities while fostering the participation of historically disadvantaged groups in the mainstream economy. It was a long-term and labour-intensive process, which did not have profit as its immediate outcome, but the creation of
economic balance instead. Browning’s view is shared by Kieffer (1984: 27) who opines, “it is completely unrealistic to presume that the cumulative effects of domination cannot be reversed in any other way than a long-term frame of reference. It would be frivolous therefore, to pretend that there can be a well-developed ‘short course’ in empowerment”. This is presumably because of the fact that if it becomes the immediate goal, profit will further widen the economic gap that empowerment wants to close. Empowerment, writes Kieffer (1984), is a general attempt to overcome powerlessness often derived from socio-economic and psychological factors. It is therefore, part of socio-economic and psychological transformation requiring social and economic reorientation (cf. Kieffer, 1984). As a reaction to apartheid inequalities, BEE had to ensure that many people were involved in the mainstream economy.

When NAIL bought a stake in the Sowetan, the move was said to be a means of ensuring the participation of blacks in the industry. The Council for African Thought, viewed this “as a way in which African values and traditions will be mobilised and channelled to bear on public life, and become influential in moulding and changing mass behaviour and thinking” (Natal Witness, 11 September 1995: 3). Similarly, when Cyril Ramaphosa left Parliament to join NAIL, his move was applauded by business and political sectors alike. It was thought that through him, as President Nelson Mandela commented, “the gap between white and black business would be closed” (Sowetan Business, 16 April 1996: 2). NAIL’s Chairman, Nthato Motlana, reiterated that “he will make an invaluable contribution in ensuring that black business takes its rightful place in the mainstream of the economy” (Sowetan Business, 15 April 1996: v). The Congress of South Africán Trade Unions (COSATU) viewed this as a “step towards real black economic empowerment, and not tokenism as
it has been happening with many white conglomerates" (Sowetan Business, 1996 April 16: 11). The Sowetan joined the chorus by commenting that, "it is a historic move and a sensational coup for black empowerment. It opens a new terrain of struggle to prevent our hard-won political freedom from turning into a pyrrhic victory" (Sowetan Business, 1996 April 16: 1). These comments demonstrate BEE's euphoric moments following the events described earlier.

The first deal marking the entry of empowerment partners in the South African media industry was the transfer of a newspaper targeting black readership, the Sowetan, to NAIL. As mentioned earlier, this transaction was followed by the protracted negotiation processes that eventually saw Johnnic taken over by a number of black organisations and consortia under the umbrella name National Empowerment Consortium (NEC). The Johnnic deal was hailed as a historic one, transferring 17% of JSE to black control (Tomaselli, 1997; Berger, 1999; 2000). This rapid growth of black business was by far argued to be the fastest compared to the ten-year period that Afrikaner empowerment took before reaching this level in the 1950s and 1960s (Sunday Times Business Times, 1999). As a result, it provided hope and a strong foundation on which black empowerment could be built. Outside NAIL, other black economic empowerment companies such as Kagiso Trust Investment (KTI) entered the media industry through partnerships with historically white-owned companies. More deals in the media industry representing empowerment followed facilitated and encouraged by a new regulatory framework. Within a short period, BEE had made remarkable strides in terms of penetrating the previously white dominated media market.

When the economic embargo by the international community against South Africa was lifted
following the country’s transition to democracy, more changes occurred. Regular interactions between global and empowerment media companies intensified. Empowerment deals were also made with global companies, thus giving the latter the opportunity to exploit the local market. These changes were strengthened by the government, which went on a sell-off spree resulting in a number of its assets being owned by empowerment and global media companies especially its telecommunication divisions. As mentioned earlier, new radio licences were also issued and awarded to groups representing different interests in the broadcasting industry.

The Midi Consortium brought important role players into BEE: trade unions and civic organisations such as South African National Civic Organisations (SANCO) and COSATU. Through its investment arms, Mineworkers Investment Corporation (MIC) and Union Alliance Media (UAM), COSATU invested their members’ pensions and provident funds by acquiring significant stakes in companies such as Primedia, Vodacom, Johnnie, e-tv and so forth. Trade unions’ financial strength generally lies in their membership. However this membership tends to fluctuate due to retrenchment, untimely deaths, resignations, and so forth. This has a negative impact on the financial stability of trade unions as investors, of which the Midi experience provides an example. The trade unions’ failure to sustain their investment in e-tv could be attributed to escalating unemployment in South Africa: as membership dropped, so did the unions’ financial base. Organisations like SANCO on the other hand, invest money collected from rentals using the profit for local development projects such as recreational facilities, electricity, local road construction and housing, and local security.

However, the hopes raised by the deals, highlighted above, were dashed towards the end of 1998 and
into 1999. Some of the deals mentioned above were reversed. Within the industry, fierce competition from non-empowerment media firms intensified. The transactions involving empowerment companies at the JSE also dropped considerably, thus drawing the attention of influential political figures, including President Thabo Mbeki, who emphasised the need to create and consolidate a bourgeoisie class. This, Mbeki suggested, would de-racialise the economy\(^5\) (Sowetan, 26 November 1999: 47). Though never consolidated, the idea of prescribed assets was also mooted and bandied around as one of the strategies to save empowerment (Sunday Times Business Times, 13 February 2000). With the continued drop in the number of deals, empowerment companies were operating under difficult economic conditions, thereby placing BEE initiatives in jeopardy. Continual restructuring at some of these companies was symptomatic of these conditions, thereby mapping the daunting challenges facing BEE in its first phase.

Two years after the partnership, Dynamo Investment sold its stake in the City Press back to Naspers and refocused on food, retail and financial services. NAIL was desperate to dispose of the Sowetan and New Nation only to be discouraged by low offers. The company took a radical stand and discontinued the broad-based N-shares. Of the 77 licences issued in the community radio sector, half of them had to close down due to financial constraints. In their attempt to negotiate their survival, other small media companies representing BEE were forced to merge with conglomerates. Other empowerment companies such as UAM surrendered their operations to the creditors.

\(^5\) He was addressing Black Management Forum (BMF) Conference in 1999. The racial nature of the South African economy is a manifestation of the apartheid policies, which wanted to keep it exclusively under white control. However, the black bourgeoisie, as Maseko (1999: 46) argues, is not something new to the South African economy. According to him, the black bourgeoisie has been in existence since the 1960s with the formation of the National Federation of African Chambers of Commerce (NAFCOC) and BMF. They all championed economic advancement of black people through the building of a separate economy for blacks. Unfortunately, this turned into an enrichment of the few elites. Given this
However, in broadcasting, it was not easy. Those that wanted to merge had to acquire permission from the IBA especially on matters relating to shareholding structures as illustrated by the following examples: i) KFM (Pty) LTD⁶ requested to have its shareholders changed so that its total ownership could be transferred to NAIL, ii) P4 Durban and P4 Cape Town radio stations wanted their ownership to be transferred to NAIL, iii) Kaya FM wanted to have its shareholding amended to introduce a new investor from outdoor advertising, Corpcom, and iv) e-tv wanted to have its shareholding structure amended to make way for a tobacco giant, Rembrandt Group.

Because of their empowerment status and the conditions under which these licences were granted, the above requests were unconditionally turned down by the broadcasting regulator. This was motivated by the regulator’s need to promote and safeguard empowerment. Those who succeeded in mergers and acquisitions grew quite rapidly into conglomerates measured through assets, licences, audiences and so forth. As BEE firms engaged in various strategies to survive, tensions ensued between them and regulators in the media industry. Outside the industry the tension took another dimension as it involved the companies, government and social movements, particularly the trade unions, which accused both the media firms and government of betraying empowerment. While all of these institutions strongly believe in empowerment, the different strategies employed by each of them seem to be at the root of these tensions. The unions’ attack, for instance, stems from what they perceived as deliberate swamping of empowerment by self-interested individuals, reflected through the creation of conglomerates and interlocking directorships. These tensions compounded the other argument, it is important to approach the term bourgeoisie with much scepticism.

⁶ NAIL had significant interests in KFM, P4 and Kaya FM. While Kaya FM was jointly owned with Thebe, Makana Investments, Communication Workers’ Union, P4 shareholders included a Norwegian firm, P4 and Makana Investments.
problems already besetting empowerment, thus plunging the first phase\(^7\) of BEE into a deep crisis and uncertain future. These tensions continued even in the second phase when the government accelerated its deregulation process. This saw widespread privatisation, BEE firms rushing for foreign markets and TNCs purchasing significant interests in the South Africa media industry, including government assets as represented by globalization.

Privatisation took place at the same time as other processes undertaken by government such as commercialisation, liberalisation and internationalisation, which resulted in the selling of some radio stations and the entry of global role players in the South African media industry. However, the impact of privatisation was really felt when the government’s high labour intensive assets such as Telkom became involved. Looking at the nature of the conflict, it seems that both the labour movement and the government are fighting, not over what empowerment is, but rather how it should be realised as confirmed by the positions outlined later in the study. The COSATU/government conflict attests to Mosco and Reddick’s (1997: 27) point that “social movements are particularly important for policy analysis because they influence the development of the means and content of communication”. However, the contradiction within this conflict is that though the labour movement, led by COSATU, has been critical of the government’s privatisation plan, it has on many occasions bid and won some of these privatised assets, thus adding a new perspective in the unions’ involvement in the industry in general and to this conflict in particular.

\(^7\) In this study the distinction between first and second phase empowerment is drawn from the period where BEE companies entered the market, including their joint partnerships with historically white-owned companies to when they restructured for globalization. The second follows the various processes discussed in chapter 3 wherein BEE companies discontinued their partnerships with historically white-owned ones. Following this, they restructured their operations and dashed for the global markets. Contrary to the first phase, the second phase is highly driven by commercial interests and
Although various forms of power are at play in the media industry, ranging from socio-economic to political and cultural power, economic and political power seem to override other forms if one looks at the conflict between the ANC-led government and COSATU. This is because, as an industry, the media involves various role players including firms, governments, social and labour movements, interest groups and so forth who, as part of the social formation, contribute in one way or the other to the shaping of the media (see also Mosco and Reddick, 1997). This is similar to what Siune and Truetzschler (1992) refer to as the *logic of actors*, who wield power in the media industry. The logic of actors, argue Siune and Truetzschler (1992) includes advertising agencies as well. Each of these actors, Siune and Truetzschler (1992: 2) continued, “have a different logic guiding their respective behaviour and their initiatives in relation to mass media”. Once these actors display their individual behavioural powers, tension sometimes ensues due to the fact that every actor wants to pursue his interests differently from others. This interest-based position determines the way the actor has to behave, not only inwardly, but in relation to others as well.

Based on the above scenario, this study aims to investigate the process of empowerment within the industry during the restructuring of the post-apartheid South Africa. It primarily focuses on the emergence and shaping of black-owned media companies as advocates of BEE, and how this was carried out. This involves analysing how the process was further influenced by globalization as the form through which modern corporate extension occurs (cf. Mosco, 1997).

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*Louw (1993) discusses the contribution of various political organisations in shaping media policy in South Africa after the historic events of 1990. The suggestions of these organisations demonstrate conflicting ideologies between left and right in South Africa.*

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It is hypothesized within this study that as BEE occurs, it is likely to be influenced and shaped by a variety of factors including globalization, which shifts the original nature of the initiative and its primary aims. As these changes took their toll on BEE, tensions ensued between the role players and interested parties over what they considered ‘the inappropriate’ way to empowerment. As indicated earlier, 1994 was a watershed year in which dramatic changes in ownership, control, and global expansion with regard to black-dominated South African capital began to occur. Following from this, the year provides a benchmark for tracing the origin and development of the BEE initiative. The time interval under examination, 1994-2000, reflect the recent changes in the media industry as well as the beginning and consolidation of media transformation in South Africa as illustrated in various studies (Berger, 1999; 2000; Tomaselli, 1997). The year 1994 is chosen as the beginning point because it represents the deepening of political transition in South Africa, paving the way for media transformation. Based on this, it becomes clear that all the processes within this time interval are part and parcel of deregulation or a process associated with the government’s desire to increase competition by bringing new entrants into the industry.

Although ideas about BEE used in this study are not industry-specific, the focus will be on the media industry, particularly broadcasting and printing assets owned by BEE firms. This is despite the fact that other sectors such as publishing, telecommunications and advertising and the Internet are brought into the discussion. This focus stems from the fact that: i) the majority of BEE firms entered the media industry via broadcasting and print, ii) both broadcasting and print media play a significant role in the transformation of society by providing a platform or meeting point where
various forces meet and reach out to each other in an attempt to discuss democratic issues, and iii) broadcasting and print can serve as a vehicle for economic advancement. These roles are critical in the deepening of a democratic ethos especially in a country like South Africa where the media has a history of concentration in a few white hands, and its general work force was predominantly white (see also Goga, 2000). Therefore, it did not reflect the demographics of the country. Based on these, the media did not represent the public sphere, but a pseudo-public sphere, where the interests of the minority were represented and therefore, taken to be that of the larger public. In Louw's (1982) terms, during apartheid, South Africa represented a pseudo-communication setup due to the fact that only a minority was eligible to participate in the national political process, while certain points of view were excluded from the dialogue. Thus apartheid never paved the way for a social dialogue, which the media could facilitate.

As drawn from the above, the media did not only reflect apartheid structures, it also promoted apartheid ideology (see also Louw, 1993). The ability of these factors to inhibit democratic values is seen in the way these issues were prioritised at the conferences above, which paved the way for all these changes. For this study, the role of the media as agents of change is based on social, economic and political functions. As a vehicle for transformation, the media is a vital institution for carrying out empowerment. The high demand for broadcast and print media as both as vehicles of empowerment and tools for democracy is demonstrated by the high purchase prices of media channels by BEE firms and the strict regulation governing their ownership and control, particularly broadcasting.
Reasons for Choosing the Topic

The reasons for choosing this topic are two-fold: firstly, following the demise of apartheid, BEE and globalization became pertinent issues within South Africa's transformation period. However, the literature on these issues has been quite limited. This is despite some important analyses on the political economy of the South African media under apartheid (Tomaselli, 1987; Teer-Tomaselli, 1989) and on the political economy of the transition from apartheid to democracy between 1990 and 1994 (Collins, 1992; Louw, 1993; Teer-Tomaselli and Tomaselli, 1994; 2001; Dunn and Tomaselli, 2001). As a result, this study wants to contribute to the limited existing literature. A substantial study has been published on the post-1994 restructuring within the South African press (Tomaselli, 1997), and a number of others on broadcasting after 1994. These studies, however, have concentrated on political economy and issues of deregulation in broadcasting, mainly within the South African national economy without directly detailing how empowerment is carried out within the media industry (see Teer-Tomaselli, 1997). Because issues pertaining to globalization have been tangential to some of these works, my aim is to widen the scope of the study of the post-apartheid political economy of the media with regard to empowerment and globalization. Secondly, at a personal level, I have always been interested in media transformation, which empowerment and globalization represent.

Problems and Issues to be Investigated and Questions to be Asked

The events discussed above present BEE as an initiative besieged by a variety of problems ranging from economics to politics. The reversals of the deals, the continual restructuring and the conflicts alluded to earlier demonstrate the complexities and difficulties of carrying out the process. The
difficulties confirm Kieffer’s (1984: 9) warning that “while empowerment is intuitively appealing both for theory and practice, its applicability has been limited by continuing conceptual ambiguity”. Based on this, the study, firstly, examines the origin of BEE, how it was carried out in the media industry and the problems surrounding it, which led to the end of the first phase. The examination is based on the issues raised above. The nature and the structure of media companies in South Africa during the post-1990 period, particularly issues of media monopolies, will be analysed to provide a basis for the periodisation of the thesis. This analysis will provide a synopsis of key media developments preceding the transformation process that was set in motion in 1994 by responses of capital and government. Furthermore, the analysis will provide the history from which black-owned media companies emerged. In this regard, the role played by the government in overseeing the transformation process through its ‘open media policy’ and while insisting on transformation in the media industry, is crucial (Louw, 1997). The government’s constant intervention is further manifested through the formation of the IBA to oversee the transformation of the media industry, especially the broadcasting and telecommunications sectors and its engagement in the deregulation process that gave rise to BEE firms. The role played by historically white media companies, particularly Nasionale Pers (Naspers), Perskorporasie (Perskor) and Argus, in responding to this transformation is fundamental to this study, especially in terms of shaping the direction taken by BEE as a whole, and the firms pursuing this initiative.

Secondly, the negative performance displayed by BEE firms in their first phase suggests that the competition within the media industry is inevitable. In their attempt to survive, some BEE firms restructured and rushed for the global markets, thus signalling the beginning of the second phase of
empowerment, which, in contrast to the first one, was driven by commercial interests. These manoeuvres of capital in the newly democratising environment do not only demonstrate the importance of these processes after the downfall of apartheid. They further suggest that there might be a relationship between transformation, BEE, and globalization. However, the competition from non-empowerment companies and the tensions that followed the shift in empowerment described in the second phase also suggest that BEE is a contested process both within the economic and political realms. Therefore, the study examines how BEE was contested in these realms. This is done, firstly, by examining the different economic strategies employed by non-empowerment companies to counteract or thwart the empowerment initiatives in the market and secondly, by exploring the tensions between the government, black business and labour movements in what each one of them consider to be the (in)appropriate way to empowerment. The exploration of the tensions involves analysing, in greater detail, the different positions advanced by the government, black business and labour movements in relation to empowerment.

Secondly, the study examines the impact of these conflicts on BEE at present and how they will continue to do so in the future. The following important questions will be answered as part of the issues investigated:

(1) Why did the media monopolies, which had emerged before the demise of apartheid restructure after 1994?

(2) What were the effects of this restructuring in terms of: a) black economic empowerment; b) the globalization of South African media capital; c) the integration of black-owned South African media capital on global stock exchanges; and, d) the post-apartheid political economy of the black-owned
South African media companies?

(3) What are the global relations and conditions within which the South African media are now competing?

(4). What impact is the media globalization phenomenon likely to have on the South Africa media in general and to empowerment in particular?

**Organisation of the Study**

The study is arranged into 6 chapters probing key issues of empowerment and media globalization within the South African media industry.

Chapter 1 provides a theoretical framework through which media transformation, empowerment and globalization can be understood, in particular political economy and media economics. Although the study used political economy approaches advanced by Vincent Mosco (1997), media economics is applied to complement them on issues concerning the market including competition. The various methods used to collect data are also outlined. The chapter further explores the dominant research paradigms on media transformation, empowerment and globalization and how this study locates itself within the context of these researches.

Chapter 2 traces the development and the origin of the BEE discourse and the factors underlying its emergence. The chapter points out that, as an enforced process, empowerment is not new to South Africa's history, as Afrikaner empowerment has shown. Of the key questions raised, the first one relates to the issue of transformation in the media industry, the distinction between empowerment
and economic strategy and the nature of BEE firms to emerge out of the post apartheid restructuring. In brief, this chapter examines broadly the first phase of empowerment. This will show the degree of influence that existing monopolies had on the initiative and industry in general. The second question has to do with the implications of restructuring the media for BEE.

Chapter 3 examines the various factors shaping empowerment, especially economically related ones, and the progress of empowerment since its inception. This examination involves analysing BEE within a market framework through criteria such as market structure, conduct, behaviour and performance. One important issue emerging from this chapter is the way BEE is contested within the market seen in the fierce competition amongst BEE firms themselves on one hand, and non-empowerment companies on the other. The implication of this competition is demonstrated through continual restructuring, resulting in acquisitions and mergers, unbundling, divestment and sell-offs, which changed the nature of BEE firms considerably. As the chapter demonstrates, despite the strides made by BEE in terms of changing economic relationships in the media industry, the performance was not satisfactory. As marking the end of the first phase and the beginning of the second phase, the chapter illustrates how empowerment is being gradually diluted and becoming replaced by purely commercial interests, as BEE companies test global markets.

Chapter 4 continues to discuss the empowerment shift that started in chapter 3 and its consequences. In this regard, BEE is examined as a contested terrain both within and outside the market. Within the market the focus is on how non-empowerment companies resist the initiative by applying institutional barriers. Outside of the market, conflict is analysed by looking at the various actors
within the empowerment discourse such as government, black business and social movements and their different positions on BEE. While outlining the different positions advanced by the actors, the chapter further speculates on challenges of BEE in general and job creation in particular.

Chapter 5 further demonstrate the shift in empowerment by discussing the challenges facing empowerment in its second phase, in particular globalization. Although this challenge began in chapter 3 and 4 following the negative performances and the responses from the role-players, this chapter shows that globalization became too strong to be ignored. The emphasis here is placed on the mergers and joint ventures between empowerment companies and their global counterparts and they way the government shapes them. In brief, the chapter analyses the implication of restructuring South African media for globalization. Key issues delineated from this chapter about globalization are: i) it being a consequence of deregulation, ii) it no longer being a North/South or core/periphery issue, iii) it being social integration rather than social deprivation (see also Featherstone, 1990), and iv) it being a cultural and economic phenomenon.

Chapter 6 concludes the broad issues discussed above regarding BEE. Apart from raising important lessons illuminated by the political economy of BEE, the general findings are discussed with some recommendations. The problems are arranged into four categories: management, historical, society and market. Following the way in which BEE infiltrates and impacts on the policy formulation process in the South African economy in general and the media industry in particular, it is likely to be around for years to come. Therefore, a further possible future research project around the issue in the media is suggested.
Chapter 1

Conceptual and Theoretical Framework

This chapter provides a theoretical framework on which BEE can be discussed. The chapter explores the various theories of empowerment and how they can be used to understand BEE in South Africa. Because of the centrality of ownership and control to BEE in terms of bringing about economic shift in the post-apartheid South African media industry, they are analysed within political economy framework. This political economy analysis serves to understand empowerment as linked to other processes spearheaded by the government, particularly deregulation and globalization. The methods dealing with the market in which BEE firms operate, their conduct and performance are also provided. Since these are competition related issues, the chapter would like to draw on the ideas proposed by various media economics experts, including Petros Iosifides (1995), Douglas Gomery (1989) and Robert Picard (1989) in particular. These experts provide a good foundation to understand and analyse BEE firms in terms of their size and the general market conditions in which they operate. The chapter ends with the exploration of the dominant views or works surrounding some of the issues raised, particularly empowerment and globalization as part and parcel of media transformation in South Africa.

Although a popular concept in the post-apartheid economy, BEE still remains a heavily contested concept without a universally accepted definition or adequate description. In this study, BEE is understood within the context of Charles Kieffer (1984)'s conception of empowerment. He describes empowerment as rooted in social action, involving advancement, incorporation and commitment. These elements provide an operational framework from which the BEE discourse can
be discussed. The importance of social action in empowerment is derived from Kieffer's (1984) assumption that "you cannot empower people unless you can get them involved...". Kieffer's concept of empowerment is relevant because of the significance it places on praxis. Empowerment in this framework is described as the continuing construction of a multi-dimensional participatory environment, encompassing both cognitive and behavioral change to accommodate the historically disadvantaged people. On the other hand, historically disadvantaged people should also show the willingness to take part in empowerment so that this change can be brought about.

In the BEE context, advancement deals with the upliftment of blacks, whose role in the media industry was constrained by apartheid policies. This involves, as Kieffer (1984) explained, mentoring, support and the cultivation of a more critical understanding of the social and political relations within which blacks survive. From a media firm's perspective, intensive engagement in change and reflection on the existing economic scenario is important to detect the level of participation necessary to bring about behavioural change.

Within the context of the media industry, incorporation has to do with the ability of well-established companies in the media industry to guide and provide capital for new entrants as part of SMMEs support and mentoring. Such a step would see these new entrants reaching desired and competitive levels on their road to empowerment. This, Kieffer (1984: 22) points out, embodies "strategic ability and critical comprehension to overcome structural or institutional barriers to self-determination". Structural and institutional barriers relate to deliberate policies to inhibit the progress or advancement of historically disadvantaged groups. The concept of incorporation
promotes the construction of survival skills for the new entrants in the media industry.

The fact that empowerment is a long process without immediate capital returns means that economic loss will be incurred and should, therefore, be anticipated. This requires the commitment of the parties involved in empowerment. As Kriel (1999) adds, responsibility rests with all parties involved in an empowerment transaction. For BEE, commitment also offers an opportunity to consider the psychological impact of apartheid on black business. As a result, empowerment is not a malady that can be corrected by legislation alone. Although legislation can play a vital role in terms of encouraging and creating standard procedures, empowerment requires the people’s intervention, especially those that have been historically advantaged, in terms of their willingness and readiness to bring about economic change. Therefore, apart from its social dimension, Kieffer’s model emphasises the importance of participation by those who need to be empowered and those who empower them respectively. The importance of commitment to empowerment is further confirmed by BusinessMap,⁹ which argues that there has to be an assurance that identified responsibilities are met by both the white vendor and a black investor without pressure being exerted by the government (BusinessMap Report, 1999: 20).

Kieffer’s element of commitment to empowerment connects with Phinda Madi (1997) who distinguishes between ‘traditional’ and modern approaches to BEE. According to Madi (1997), the traditionalist view is institutional, concentrating on the recruitment and advancement of black people

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⁹Formerly BusinessMap South Africa, BusinessMap is a South African-based non-profit research organisation focusing on the economic transformation of South Africa and the region. Its main focus is to track the changes in the racial profile of the economy. BusinessMap produces information and research on political and investment issues focusing on BEE and development on matters pertaining to finance, globalization and policy.
and women. In other words, it aims to change the management structures of the media institutions to include historically disadvantaged groups in decision-making bodies. This is crucial not only in terms of changing the images of these institutions, but in improving social relations as well. As Madi (1997) explains, the traditional approach is spurred by pressure from outside reminding these companies to respond to the changes within the country. The pressure can be political or economic, exerted by governments or social movements, and the company’s head office. For Madi (1993, 1997), the traditional approach is cyclical following four stages. The first stage is the external crisis, which results from the pressures explained above. The second stage entails an aggressive drive towards the recruitment of blacks. As a response to the pressure pointed out above, this stage brings relief to the companies as they see themselves responding to the changes or transformation. With blacks flocking to these companies, the external pressure eases a bit.

The third stage relates to the blacks inside these companies. Once in these companies, the recruited blacks are constrained by the systems, or institutional and structural barriers, which eventually absorb them. As a result, they cannot make any meaningful change. The fourth stage is an outcome of the third one in that because of constraints and institutional barriers faced by the black recruits, reinforced by the companies’ unchanging policies, despair and despondency arise. The environment becomes uncomfortable for both the recruits and the companies, resulting in the two parting ways. It is clearly evident, within the traditional approach, that empowerment is perceived by the responding companies as part of the social responsibility programme rather than the company’s plan (Madi, 1993: 8). This perception, demonstrates the difficulties faced by empowerment if it is carried out along the traditional approach. At the inter-institutional level the traditional approach manifests
itself through joint ventures and deals between empowerment and non-empowerment companies discussed throughout this study. The various stages of this approach provide a necessary tool to analyse these deals and the reasons underlying their attached conditions and eventual reversals.

In contrast with the traditional approach, the modern approach is premised on three levels of empowerment: ownership, corporate advancement, and the support of SMMEs. Although institutions such as stock exchanges are important in this view in terms of measuring the participation of BEE companies in the economy, they are not all that matter. Thus, they have to be used in conjunction with SMMEs, which form the cornerstone of BEE, in ensuring that a wider community benefits from the process. In other words, the money generated from stock exchanges should be channelled towards SMMEs through procurement and tenders so that the latter can be given a financial boost. Based on this relationship between stock exchanges and SMMEs, the study integrates the two approaches to empowerment advanced by Madi (1993, 1997). The integration stems from the fact that while the traditional approach helps in terms of looking at the way in which BEE candidates, both at individual and institutional levels, are integrated into historically advantaged companies, the modern approach tackles issues pertaining to how these interactions are translated into meaningful empowerment.

Despite these approaches, Madi’s (1997) theory has outlined some key features that can be used to distinguish between an empowerment and a non-empowerment company. For Madi an empowerment company has the following features:

- 51% black ownership
- Having historically disadvantaged groups as shareholders.
- Promoting extensive training for small and medium size business development
- Management diversity and employment equity measures
- Job creation for the betterment of the ordinary lives.

Although not exhaustive, these features will also help in terms of distinguishing between what *BusinessMap* (1999) terms black-controlled and black-influenced companies, which is critical in terms of measuring the level of shift in economic power as advanced by BEE. Black controlled companies have empowerment status purely on the basis of management and shareholding. On the other hand, black influenced companies have a sizeable black shareholder base, typically over 5% of a company’s issued equity, thus influencing the firm’s decision-making on strategic issues though without maximum control. Again, *BusinessMap*’s distinction directly connects with the traditional and modern approaches proffered by Madi (1993, 1997) in terms of measuring the level of influence and control that historically disadvantaged groups bring to the companies following their recruitment or mergers. In other words, the distinction helps to detect some of the stages of the traditional approach examined above especially, the absorption of ‘blackness’ within the system as well as the despondency and despair, that often results from these mergers.

The connection between Madi’s features and *BusinessMap*’s distinction can once again be seen in the categories of BEE firms: i) those who started as purely well-established black firms in other sectors and ii), those who in collaboration with some companies entered the market via special arrangements such as buying controlling interests. Represented in the last category are NEC’s.
Johnnic, UAM and AME. The first category later used the money generated in those sectors to gain control in the media by buying into previously established white media corporations, for example NAIL and Kagiso. Companies in this category are products of diversification.\(^\text{10}\) Contrary to the first category, most of the companies in the second group were loose consortiums, sustained mainly by loans from insurances and banks. Such a financial arrangement does not bode well for empowerment as these companies are crippled by high interest rates afterwards, thus risking the possibility of returning the company to the insurers and banks if it does not perform well in the market. Again, the problem faced by this category is that though some of them, for instance TML, Jacaranda FM and M-Cell, looked black in terms of ownership, they remained white controlled. By being controllers, whites still remained in charge of the companies in terms of deciding the overall financial policies, economic strategies and so forth. BusinessMap's distinction ties well with Kieffer's (1984) elements in the sense that through the categories outlined above, one can detect whether empowerment is really helping in the economic advancement of the historically disadvantaged communities. With the financial arrangement above, wherein blacks are the owners while whites remained controllers and providers of loans, the prevalence of commitment or the lack thereof appears more evident.

In dealing with the features of BEE companies, Madi's (1997) approach is also important for advancing what he refers to as a dual logic economy. In other words, large-scale businesses should provide small and medium enterprises with contracts. This strategy, as Madi (1997) argues, would, as part of empowerment, help these businesses to grow, thus fulfilling advancement. As explained

\(^{10}\) Diversification can be defined as a “process by which companies expand their activities in different domains or product lines, either by acquiring companies which already operate in these domains or by investing capital in them” (J.B.
by Kieffer’s theory, the manner in which these contracts are awarded determines the degree of commitment. It is at this point that Madi’s (1993, 1997) four stages of the traditional approach become relevant to look at the underlying motives behind the companies’ actions and behavioural change. In addition to measuring commitment, Madi’s concept of dual logic economy complements Mosco’s (1997) idea of moral philosophy characterising his political economy. By moral philosophy, Mosco (1997) meant the social values and conceptions of appropriate social practices. In other words, the economic actions that large-scale businesses undertake, have to be within the frames of “justice, equity and public good, rather, than self-interest” (Mosco, 1997: 34). So moral philosophy is relevant to BEE in that it creates a proper foundation to question the deals and the nature of BEE firms in their pursuit of empowerment.

Although drawing largely from Madi and BusinessMap’s institutional approaches to empowerment, this study seeks to broaden the understanding of BEE by describing it as a larger process encompassing, as its starting point, job creation, SMMEs support, training and development as made possible by capital creation. This is largely influenced by the escalating unemployment, which will declare BEE fruitless if it is not addressed (see also Duncan, 2001). Based on this, this study further builds on Jane Duncan’s (2001) developmentalist approach to empowerment. Although Duncan emphasises the importance of women, the relevance of her approach to this study stems from two issues, namely empowerment as part of transformation and development to increase access. These two issues, according to Duncan (2001), cannot be attained unless unemployment is addressed.

Thompson, 1995: 195). In this case, expansion involves a different domain, as it is from other sectors to media.
Unemployment inhibits empowerment in various ways: Firstly, it impacts negatively on the economic participation of people. As this occurs people will not exploit the opportunities created by the stock exchanges and companies highlighted above. Secondly, as people lose their jobs, personal expenditure decreases, thereby impacting negatively on advertising expenditure and the overall purchase of media products. As a result, the price and the maintenance of media products escalate. This in turn, has far-reaching consequences because the media drawing their revenues from advertising become financially crippled (see also Duncan, 2001). And finally, since blacks are the hardest hit by unemployment largely a result of apartheid policies (Emsley, 1996; Duncan, 2001), an attempt to create capital within the black community as advanced by empowerment, becomes far-fetched.

The importance of looking at stock exchanges and institutions as integral parts of empowerment and the need to address job creation is also illustrated by other studies on empowerment and transformation. Notable in this regard are Tomaselli (1997) and Berger (1999; 2001). Tomaselli (1997) adopts a political economy framework through which the complexity of the media industry and the changes between 1990 and 1997 can be understood. In this regard, he explores the political and economic dynamics of these changes and examines their significance in terms of ideology, democracy and the business of capital itself. Based on Graham Murdock’s (1982) political economy, he identifies questions about corporate control relating to actions/power and structure/determination and how they are determined by ideology. While action/power questions deal with allocative controllers whose duties relate to the definition of overall goals and scope of budgetary matters, structure/determination identifies the economic and political determinants...
constraining both allocative and operational controllers (see also Murdock, 1982). These distinctions clarify issues pertaining to who owns and controls the media companies. Berger (1999, 2000) on the other hand, analyses empowerment and transformation from four vantage points: ownership and control, media diversity and pluralism, staffing, media role and content. Within the context of these vantage points, he accentuates the issue of race. The racial substitution in these areas, according to him, indicates that there is transformation in the media industry. The perspectives and theories discussed thus far are important to the study because they deal with tracking the behavioural changes within institutions in response to empowerment.

The process of black economic empowerment in South Africa cannot be analysed without acknowledging the relevance of globalization. Indeed, heightened globalization occurred in South Africa at the time when black economic empowerment was beginning to gain momentum, immediately after the demise of apartheid. Since globalization is defined differently on many occasions, it is used in this study to refer specifically to:

i) the compression of space-time by technology, which results in rapid information flow; ii) the invasion of media industries by foreign companies, exemplified by global channels such as CNN, BBC, Reuters, and BSkyB representing what is often referred to as transnationalisation. These channels are now being received by South Africans via terrestrial and satellite broadcasts in the form of the SABC, or Digital Satellite Television (DSTV);

iii) the deployment of technology to expedite and strengthen space-time compression and information flow. It is, however, important to mention that these processes are not only interlinked, but also take place simultaneously.
Drawing from the above, it becomes clear that this study confines the concept of globalization largely to the interpenetration of the local and foreign in the media industry. Such a definition will enable the study to create a more nuanced multi-directional analysis where globalization can be understood as an outcome of deregulation. It also allows the study to examine, critically, the way in which globalization shapes BEE in its second phase. Based on this, the conception of globalization developed in this study will be influenced by political economy. In the political economy framework, globalization “refers to the spatial agglomeration of capital, led by transnational business and the state, that transforms the spaces through which flow resources and commodities, including communication and information” (Mosco, 1997: 205). The process is adequately covered by Mosco’s entry point of spatialization. In this regard, globalization is not viewed as the elimination of spaces, but as a process of transforming them to allow communication and information technology to pass through. So spatialization serves to point to this process of constant spatial change driven by TNCs to expand by businesses.

The manner in which globalization occurs in the South African media industry can neither be separated from nor understood outside of the government’s actions to increase competition, foster regional integration and attract foreign investment. These actions illuminate the importance of the government in globalization process. The involvement of the government happens mainly through deregulation. Incorporating processes such as privatisation, liberalisation, commercialisation, transnationalisation, deregulation promises to shift from old regulatory regimes associated with excessive government intervention by advocating pro-competition policies. Although often used interchangeably, deregulation is slightly different. This process further relaxes restrictive media
policies to allow more cross-ownership, mergers and acquisitions and more importantly, foreign ownership. In deregulation the government is actively involved not only in shaping the globalization process, but also in the way in which it intensively engages in widespread liberalisation, internationalisation, commercialisation and privatisation processes. Again, deregulation is often supported as shown in the changes undergone by the post-apartheid media industry and the responses from private companies in purchasing unbundled assets and bidding for new licences. According to Mosco (1990: 36), the unqualified support for deregulation emanates from deeply concealed myths associating deregulation with: less government intervention, diminishing economic concentration and consumer benefits. As Mosco (1990) posits, whatever their basis, these myths continue to reflect significant political and economic interests”. Deregulation, argues, Mosco (1990: 48), “is more than a policy instrument, it serves as a cohesive mythology around which those who would benefit from these short- and long-run interests might rally”. As Kenneth Thompson (1996: 229) explains,

the main thrust to the deregulation supporters has been to divert
the state of its responsibilities in the regulation of cultural
matters and to open it increasingly to the free play of market forces,
thereby increasing diversity, freedom, choice maximization and pluralism.

Kenneth Thompson’s quotation explains why deregulation is widely supported. Whilst it is maintained amongst deregulation supporters that regulation is protectionist by restricting entry into the market, deregulation is believed to be allowing new entries into the market, which often bring new ideas. Derthick and Quirk (1985) discuss this point further by juxtaposing regulated and deregulated industries. According to them, regulated industries seek to protect their profitability and
compete in a tightly marked market. For media industries pre-dating the deregulation process, the myth represents an opportunity through which they continue to exercise their economic advantage and market domination seen in the way they use deregulation for political and economic interests. Naspers exemplifies this point. Having emerged from a pre-deregulated era, it continued to make inroads even in the global markets while products of deregulation such as NAIL, Johnnic and Midi-e-tv continued to struggle. This is seen in the expansion of M-Net to other neighbouring countries and its huge investment in Multi-choice Investment Holdings (MIH), thus having the opportunity to enlist on foreign stock exchanges. As the companies emerging from the deregulation process fail to match the competitive levels of established ones, they resort to petitioning the government so that the power of established companies can be constrained (cf. Derthick and Quirk, 1985: 24). In empowerment, this is seen through the relationship between BEE and government. After experiencing the harsh realities of the market shortly after 1998, BEE companies looked to the government to expedite the Empowerment Act to force historically white companies to comply with empowerment. On the other hand, the prescribed assets move pointed out in the previous chapter is another strategy demonstrating the relationship between the government and BEE companies as an outcome of the deregulation process.

By allowing TNCs to invest in the industry as part of deregulation, the South African government assumes that they will further enhance the quality of the media industry in the country on matters relating to training of the country’s journalists and managers and job creation. At a macro level, the entry of TNCs will supposedly help to boost the economy by bringing in cash that will help with economic growth. The tax collected from TNCs will also increase revenues for government, thus
presumably helping in the speeding up of service delivery (see also Leach and Vorhies, 1990).

This study is theoretically located within a specialised field of media economics and political economy. As a branch of economics, media economics helps to understand the economic relationships between media producers, advertisers and society. This is contrary to economics which studies the use of scarce resources to produce content that is distributed among consumers in a society to satisfy the wants and needs" (Albarran, 1996: 5). In essence, media economics is the practice of institutional financial management within firms and their operations within markets. Therefore, to this study, it will be vital in exploring issues pertaining to markets and competition within which BEE is expected to thrive.

The significance of media economics for this study stems from the fact that like other mass media institutions, BEE firms are economic institutions, engaged in the production and dissemination of content targeted towards consumers (cf. Picard, 1989). For empowerment this economistic approach to the market implies BEE firms cannot be examined in isolation, but in relation to and simultaneously with other non-empowerment companies that compete with them for audiences.

Despite being important to this study, media economics cannot on its own deal with the multi-dimensional BEE effectively. As Mosco (1996: 63) points out,

\begin{quote}

economics does not take into account many of the significant socio-economic determinants of productivity, including corporate structure and ownership, education and training, and family background. It ignores the relationship of power to wealth and thereby neglects the power structures to control markets...it tends to view markets as natural products of individual infractio
\end{quote}

rather than as being among several sites of social activity.
The market model advanced by economics, argues Mosco (1996), views people as motivated solely by instrumental considerations of price. Based on these limitations, media economics in this study is complemented by political economy. Political economy looks at the market not in isolation, but as influenced by the larger society and government. The broad approach of political economy will enable this study to examine both empowerment and post-apartheid ownership and control in the media industry in their wider historical, political and economic framework. This insightful approach resembles what Mosco (1996: 11) terms ‘institutional political economy’. The approach also involves studying the factors or ‘logic of actors’ operating outside media organisations, which shape empowerment such as the state, social movements and relationships with both allocative and operational controllers. This political economy espoused by Mosco (1996) is based on three elements: commodification, spatialization and structuration. Commodification deals with the turning of cultural industries into commodities from which profit can be extracted (see also Meehan, 1986). It is this commodification process that drives the movement of TNCs. Spatialization involves the extension of corporate power in the communication industries demonstrated by the growth in size, assets, employees, and share value. This is important in terms of maximizing profit. Structuration has to do with the relationship between structures and agency (Mosco, 1996).

Mosco (1996) defines political economy in terms of three principles, which can also be used to describe the nature of ideology. The first one is social totality. Since the society within this principle is considered to be a complete whole comprising various interlinked factors, it is important to use various disciplines to solve and understand the problems confronting it. The second principle
is social change and historical transformation. This principle deals with the fact that societies are not static, but always undergoing social changes and therefore, in a process of transformation, as exemplified by South Africa in this study. The third one, praxis, is about a general form of action by the human agent to bring about change. Although not emphasised in this study, praxis is premised on the idea that media institutions are not empty creations, but are structures, constituted by human beings contributing to the production of labour, which guarantees their survival. The relevance of social totality and historical transformation are seen in the way in which empowerment is broadly approached to bring about change in the media industry. This suggests that as much as BEE is an economic phenomenon, it needs to take into account social, political and historical factors.

So by centralising economic (capital) power, political economy reincarnates the orthodox Marxist distinction between the base and superstructure. This base/superstructure distinction places the economic base as the determinant of social relations and politics, law, and so forth, as elements of superstructure. By bringing into the discussion Marxist principles, one demonstrates that the current process of BEE in political economic terms cannot be divorced from the ideology constituting these media institutions. This draws on the influential works of neo-Marxist thinker, Louis Althusser's (1971), conceptions of ideology. Louis Althusser (1965: 240) advocates a structuralist approach to understanding ideology. Within this framework, ideology is defined as

the lived relation between men and their world... In ideology men
do indeed express, not their relation between themselves and their
conditions of existence, but the way they live the relation between
them and their conditions of existence.

See Siune and Truetzschler (1992). For Siune and Truetzschler, these include also advertising agencies.
This definition provides the basis for understanding ideology as constituting both the human element and the structures within which they operate. Althusser (1971) further raises three important issues relating to ideology. Firstly, that ideology represents the imaginary relationship of individuals to their real conditions of existence. This sentiment explains Althusser’s stance on ideology, which has to be understood in non-historical and structuralist terms (Althusser, 1965: 240). Secondly, ideology interpellates individuals’ subjectivity, thus, preparing individuals to take up their places in their hierarchical division of labour. Thirdly, ideology is an instrument of exclusion and domination because it distinguishes individuals and groups from each other. Categorisation becomes the end-result of these exclusionary and dominating practices. It is within the context of the interaction between the human element and structures that ideology is defined and described within this study. In this study, this is seen in the role of the Freedom Charter, as an ideological document. Apart from being a document that has a unifying role, as an instrument of ideology it can become a centre of conflict for BEE groups, labour organisations and social movements. These conflicts demonstrate how individuals and companies pursue their capitalist interests within the structure/determination process.

The importance of ideology to this study is once again seen in the way it connects to Foucault’s

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12 This is a document that was adopted by the ANC in 1955 to guide it in its struggle against apartheid. Following the formation of the alliance with the ANC and South African Communist Party (SACP) in 1986, Cosatu adopted the Freedom Charter as their guiding document. As a social-democratic document, the Freedom Charter became important in shaping ANC and its alliance’s policy prior to the 1994 elections as shown in the implementation of the Reconstruction and Development Programme (RDP) after assuming political power. From 1996, the ANC showed a gradual shift from the Freedom Charter by abandoning the RDP and adopted the Growth, Employment And Redistribution (Gear) policy. This step was not well received by the alliance, which viewed it as reneging on the struggle towards the emancipation of the black people. With the ANC not intending to change its mind about Gear, tensions developed and continued as discussed in chapter 4.
conception of power. As Althusser (1971) points out, ideology is an instrument of power. Power, Foucault (quoted in Sheridan, 1980: 139) warns, "is multiple and ubiquitous". For Foucault, there is no power without resistance. Resistance, he argues, is formed at the point where relations of power are exercised (translated by Gordon, 1988: 98).

Resistance is interpreted here as a response to a particular situation characterised by power threatening one's existence or survival. For Foucault, power and resistance are exercised simultaneously. Hence, resistance is non-existent without power. In the media industry, resistance take two forms or strategies as Foucault calls them, namely radical and liberal. Within the context of BEE, radical resistance involves the deliberate creation of barriers to entry into the market by apartheid monopolies and the unconditional position often taken by the IBA to empowerment transactions. While the regulator uses its legislative power, the existing monopolies used both the economic and political power to consolidate their market advantage in anticipation of the entry of the empowerment companies. In this regard, high tariffs and difficult trading conditions were set to discourage the entry of BEE firms into the market. This method will declare the difficulties related to the market as natural and therefore, inevitable. Radical resistance attests to Garcia Canclini's (1992: 40) description whereby resistance is viewed as, "an arduous process of re-elaborating one's own with the alien,...". In other words, it is a strategic way of repositioning one's company in the context of the looming competition. In the media industry radical resistance cannot be understood outside the socio-political sphere, which gives rise to the nature of strategies used in offering it. Because of its concentration at the company's policy level, liberal resistance is, as in Madi's (1997) third stage of the traditional approach to empowerment, more complex than the radical one. Thus,
while non-empowerment companies recruited blacks or made deals with BEE firms, the existing policies ensured that no meaningful change was brought about by the new development. The interaction between non-empowerment and BEE companies exemplified this point. As the deals examined in this study have shown, the liberal resistance dominated the first phase of empowerment. This could be due to external pressure from the government forcing historically white-owned companies to respond to BEE. In other words, any overt resistance to empowerment was certainly going to be costly for non-empowerment groups. As mentioned earlier, by rejecting empowerment explicitly, non-empowerment companies were going to be targeted by the government and its related agencies, including ICASA for failing to transform. At the economic level, they were going to lose heavily as they would not be able to get government contracts. As confirmed by Rembrandt’s partnership with e-tv and the Kagiso/Perskor and Naspers/Dynamo deals discussed later, they were going to miss out on the liberalisation process. The manner in which the deals were handled and their underlying conditions, demonstrate how liberal resistance is exercised as a strategy to deal with external pressure.

The application of both media economics and political economy at the different stages of this study is influenced by the fact each of them has a valuable contribution to offer which the other does not. As Mosco (1997: 63), contends, due to its market-centredness, “it (media economics) does not take into account many of the significant socio-economic determinants of productivity, including corporate structure and ownership, education and training and family background”. It is at this level that Mosco’s institutional political economy becomes necessary to fill the gap left by media economics on matters relating to history, social whole, moral philosophy and praxis. These features:
will not only contextualize BEE, they will further provide a broader perspective of it. The ability of economics and political economy to adequately complement each other is implicitly described by Mosco (1997: 65), who contends that where economics begins with the individual, naturalised across time and space, political economy starts with the socially constituted individual, engaged in socially constituted production.” In other words, though BEE has always been understood in purely economic terms, one still requires its history and factors underlying its implementation which economics cannot offer on its own. As a process describing economic phenomenon media economics is indispensable in terms of evaluating BEE’s performance on the market contested by non-empowerment companies as well.

The conception of empowerment developed in this study is based on the early part of empowerment referred to as first-generation empowerment. This draws on the ideas expressed at the Jabulani! Freedom of the Airwaves conference, in particular training, development, cultural diversity, language and the catalytic role of the private sector and the government. Jabulani! Freedom of the Airwaves is important to empowerment because it addressed issues relating to training, education and development. Again, the role of the private sector and cultural diversity and language are critical to empowerment. Both cultural diversity and language form the cornerstone of regulation in South Africa (IBA Triple Report, 1995).

The concept of the market discussed in this study is economistic, drawing on the definition by Albarran (1996), Picard (1989), Gomery (1989) based on the companies’ area of operation and the product offered in that area. Albarran’s definition connects well with Douglas Gomery’s (1989)
three levels of economic analysis, which deal with the sizes of media companies and how they grow. Picard’s (1989) conception of the market is important in understanding how the market shapes the companies. The media industry is also renowned for its high level of competition, as seen in the companies’ pricing behaviour and product policies. In detecting the pricing behaviour and various strategies employed by companies to negotiate their survival in a tightly contested market, the following levels proposed by Picard (1989) are explored: the companies’ economic structure, conduct, and performance. These levels provide a broad framework to analyze the market not as self-determining, but as shaped and regulated by both intrinsic and extrinsic factors including the advertisers, government and social movements, who wield power within the operations of the media firms. As Picard (1989: 104) explains,

> government regularly intervenes in the media markets to promote social goals and influence the market conduct of the media firms...it intervenes in the market to put into place public policies that override or supplement the allocative decisions of market mechanism, promote competition and protect emerging industries. These policies are intended to protect producers and consumers or to meet social needs.

The conception of power used in this study is derived from Foucault (translated by Gordon, 1988). Foucault shows the importance of strategies, networks and general mechanisms vital in exercising power used by the institutions. He also demonstrates the indispensable relationship between power and resistance. Power, argues Foucault, is everywhere. “It must be analysed as something which circulates, or rather something which only functions in the form of a chain. It is never localised here

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13 Product policies involve the strategies employed by media firms in deciding how to position their product in the market. Policy decisions in this area involve issues of product differentiation, product qualities such as durability, size and colour. Pricing policies involve setting price levels for products and decisions regarding discounting, multiple packaging and price setting orientation (Picard, 1989).
or there, never in anybody’s hands, never appropriated as a commodity or piece of wealth”.

By exploring Foucault’s ideas of strategies and networks, the study demonstrates that, apart from being inevitable, resistance is both radical and liberal. Foucault’s conception of power connects well to Mosco’s (1997) political economy, which takes power as concentrated on the macro-social organisations, as seen through the struggle between the different logic of actors represented by the government, the media industries and the labour movement over empowerment.

In the media market, the struggle for empowerment takes an economic turn as it involves local companies against each other as well as local companies versus TNCs. By bringing in local companies and how they contest the domestic market amid the entry by their foreign counterparts, the study demonstrates that globalization is challenged even in Third World markets, and therefore “not entirely without competition” (Thompson, 1996: 135). As Herman and McChesney (1997: 9) attest,

although the global media continue their growth and consolidation, and
the tide of commercialisation and centralization remains strong, this
process has met local and national resistance, which has sometimes
slowed it down and helped to preserve indigenous cultural-political media
space.

Although local firms try to protect the local market from foreign infiltration, their strength to pursue the struggle is constrained by the capital brandished by TNCs. As a result, the study examines the role and meaning of globalization in BEE by analysing the deals between local groups and their

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foreign counterparts as part of the BEE’s second phase. Within the framework of these phases, the study emphasises media globalization as a consequence of deregulation, shaped by the government. In other words, through the various activities involving internationalisation, commercialisation, privatisation and commercialisation, governments have become a framework through which globalization has to pass. The study further identifies the various forms through globalization occurs, namely, information flow, transnationalisation and the deployment of technologies.

Although these forms are interlinked, emphasis will be placed on transnationalisation. The emphasis is influenced by the acceleration of transnationalisation after the demise of apartheid and its ability to impact on issues of ownership and control. These are central central issues in BEE because they are connected to capital creation and economic transformation. Therefore, affect BEE directly. By impacting on issues of ownership and control, transnationalisation brings regulation into the picture. As a result, how globalization shapes and is being shaped by domestic regulation is further explored. By accentuating transnationalisation, emphasis will be placed on the joint ventures and takeovers as critical ways in which media globalization predominantly occurs within the South African media industry as represented by Tony O’Reilly’s ING and the Midi and Time Warner, Times Media Limited (TML) and UK’s Pearson plc relationships.

Methods and Direction of the Investigation

The research provides a survey of BEE firms between 1994 and 2000. In this regard, the history of these firms was also examined. In its investigation of the problems and issues raised above, the
study used a variety of methods: For data collection, the following methods were used:

Oral and unstructured interviews with the corporate executives of different companies pursuing empowerment were arranged to discuss issues pertaining to:

- The origin of empowerment and its underlying aims,
- The empowerment process within the industry and how it should be realized,
- The problems faced by the initiative and how the problems could be overcome,
- The future of empowerment as a local initiative within the context of globalization and the problems raised above.

A tape recorder was used during the interviews to gather this information. Companies' annual reports were used to provide information about their ownership structures. This was also vital in measuring the size of the companies based on the number of assets they owned, their revenues and the respective markets in which they operate.

Articles from the magazines and newspapers, especially the business supplements of *Sunday Times* and *City Press*, were also used to provide updated information about the media industry in general.

The collection of empirical data obtained through the methods indicated above was followed by critical analysis of post-1994 media regulations and policies in South Africa, applying the media economics and Mosco's political economy approaches. The first stage in the analysis applied a micro-economci approach, which offered a description of the nature, size and performance of media firms and the markets in which BEE firms operate. The economics employed here was micro-
economic due to its specificity to the media industry in terms of accumulating and distributing resources.

The media economics approach to these firms will incorporate the methodology of Petros Iosifides (1997), which measures the level of media concentration and centralisation. Iosifides (1997) proposes the following criteria of measuring media concentration: market share, market definition and consumption, licences, financial criterion and assets. Iosifides’ (1997) measurement criteria demonstrate the uniqueness of the media industry. Not only do we see the market being less defined in terms of geographies, but also the way in which the media firms such as NAIL, Kagiso and Johnnic operate in two markets, namely: goods and service or what Picard (1989) refers to as ‘dualism’. In other words, while these companies provide goods in the form of newspapers, radio and television programmes, they continue to sell the consumers to the advertisers. Nevertheless, like any other market, the media market is also driven by supply and demand or “the amount of a product producers will offer at a certain price and the measure of the quantity of a particular product or service that consumers will purchase at a given price” (Albarran, 1996: 17). It is important however, to note that as much as it determines supply, demand is largely influenced by the nature of the product and its price. Thus, as much as the demand for media products such as decoders and satellite dishes has increased over the years, their supply has been hampered by the consumers’ inability to afford them. In this regard, the consumers’ behaviour can be attributed to the high unemployment rate rendering the majority of historically disadvantaged South Africans economically inactive. Though these equipments’ prices have been reduced to increase demand, on average, the opposite seems to have happened, resulting in what is referred to as unit-elastic demand.
in media economics. This occurs when a drop in price does not have significant changes on the quantity demanded (see also Picard, 1989; Owers et al, 1998). In other words, the amount of product to be produced is determined by the consumers’ anticipated needs (cf. Albarran, 1996). Therefore, the survival of the media firms, whether in pursuit of empowerment or not relies heavily on the ‘wants’ of the consumers, which these firms have to satisfy.

Apart from analysing power, Iosifides’ (1997) criteria further to demonstrate the impact of economic power on the market as it relates to both the market and corporate conduct. The criteria will be applied to BEE groups to demonstrate the company’s level of concentration and their responses to competitors. Although these criteria are central to media economics, it also seems to be relevant for the industrial and manufacturing sectors and therefore, it fails to account for the social performance of the media based on pluralism and diversity. Given these limitations, the study advocates for what one can refer to simply as ‘methods mix’ or in simple terms, one that integrate the economic and social performance of media firms.

The integration of both economic and social performance ties well with Iosifides’ integrative criteria of measuring media concentration. Such an integrated methods is also advocated by Entman and Wildman (1992: 9), who posit that “we must probe deeply the relationship between media industries’ performance in the marketplace and their performance in the society with respect to social goals”- to understand the media firms’ performance in their social context. The following indicators will be used to examine the economic performance of BEE groups: namely financial and consumers-based indicators. Financial indicators cover capital flow and shares indexes. Consumer-
based indicators include audience ratings as supplied by Audit Bureau of Circulation (ABC), the Television Audience Measurement Survey (TAMS), and the Radio Audience Measurement Survey (RAMS). These indicators will be vital in judging past and present performance of the media firms.

The assessment of media performance through ratings includes both the period prior to acquisition by BEE and the period under the black ownership and control. This is an attempt to illustrate how various factors affect companies at different times. Factors such as financial reports on cash flow, share price, assets and major positive changes were used as performance indicators to judge the efficiency and product and service distribution of the company.

For the social performance, the following broad criteria were used: job creation, community involvement and SMMEs support.

**Literature Review**

Despite being arguably the most popular discourse in the South African media industry, BEE is still under-researched in the academic arena. Apart from scattered newspaper articles, a few studies of substance exist in South African media industry, which explore BEE. Notable scholarly works include those by Keyan Tomaselli (1997), Guy Berger (1999; 2000) and, to a limited extent, Jane Duncan (2001). These works discuss the various stages of empowerment. The importance of these works cannot only be seen in the way they have been extensively referenced, but also the way they created robust academic debates in the South African media circles. In brief, these works have become a valuable resource for media scholars. Although this study builds on these works, there are a number of vital points not adequately addressed in each of them. Firstly, both Berger and Tomaselli inadvertently failed to detach empowerment from institutions. As a result, they focused
too much on narrow questions relating to corporate control and ownership. This is despite Tomaselli’s fundamental argument about empowerment that “material changes cannot occur unless a shift in ideology precedes the kinds of change required” (Tomaselli, 1997: 65). Albeit this is justifiably important within the context of the economic landscape in South Africa, Tomaselli seems to gloss over the conditions under which economic power is transferred and whether that can be translated into real empowerment. As a result, corporate ownership and control seem to be interpreted as empowerment, rather than as stages within the broader scope of empowerment. Although this study discusses ownership and control as an important stage through which empowerment occurs, they are seen as constituting one stage of empowerment. The study argues that this stage is meaningless unless analysed within the context of others as further required in Madi’s (1993, 1997) traditional approach. Such an integrative approach ensures other elements of empowerment such as the impact of the changing of management structures; job creation; SMMEs support; and community projects receive attention. This also helps in examining the conditions under which empowerment deals are negotiated.

On the other hand, Berger’s (1999; 2000) strength lies in his connection of empowerment to transformation. Undoubtedly, this is the position strongly advanced by this study. However, Berger misses the point when he tries to explain what constitutes both empowerment and transformation. For Berger, the entry of black players in the industry and global investments of South African companies have to a certain extent broken the white capitalist stranglehold in the media, especially print. It has, he continued, enhanced economic growth or mass development respectively. Staff representativity according to him, has also transformed media content on a larger scale. Berger
demonstrates this by referring to the picture of the Afrikaanse Weerstande Beweging (AWB), an Afrikaner resistance movement commandos, who were brutally shot to death by a member of Bophuthatswana Defence Force in 1994 in full view of the journalists and the public. As Berger (2000) openly claimed, the picture marks the end of whites as newsmakers. "From the vantage point of pluralism as a factor in democracy", concluded Berger (2000: 4), "all these changes can be heralded for further promoting competition and for bringing new and previously excluded black players into the media business".

Berger's conclusions have been refuted by Boloka and Krabill (2000). The latter viewed Berger's conclusion as a reflection of shortsightedness, ignoring other events unfolding at that time, a step that is perceived by the duo as demonstrative of his skewed approach to transformation. While duly acknowledging the connection between empowerment and transformation, argues the latter, transformation is more than a racial substitution. Within the context of this study, transformation is actually a change in political, economic and social behaviour reflected in the way the deals are made and the conditions laid down to sustain them. Such a broad description helps in terms of understanding the reasons underlying the mergers or the economic interaction between BEE firms and non-empowerment companies both at the local and global levels. Through this description it will be possible to distinguish between real and sham empowerment. What further becomes evident from Berger's perspective is the treatment of transformation as an end product or event. The danger of this narrow and simplistic perspective is seen in the deterioration of the relationship between black and white journalists pointed out by Berger himself. As an outcome of transformation, empowerment is an integrative process encompassing economic, social and political elements.
Kieffer (1984: 27) explains this accurately when he asserts that empowerment “is not a commodity to be acquired, but a transforming process constructed through action. Therefore, it is not simply the issue of time that is crucial, but more importantly, the question of practice”.

Certainly, a few blacks were brought into the industry and a small percentage became overwhelmingly wealthy, which saved them from the harshness of the post-apartheid economy. They were, because of their economic power, accepted by their white counterparts as predicted by Madi (1993, 1997). However, as noticeably illustrated in Madi’s traditional approach, for those who refused to be absorbed, despondency and despair mounted, leaving them economically stranded. What is also worth-highlighting is the fact that both Madi (1993, 1997) and Berger (1999, 2000) view capital as a significant factor in economic integration. While this holds water in capitalist societies, it is inaccurate to view economic integration, particularly of the few, as transformation itself. Perhaps, it would be proper to understand Madi and Berger’s assumptions from McChesney’s (1997) comments about the impact of inequality in economic wealth on democracy, particularly the way in which it denies the citizens the opportunity to act as equals. To confirm this, since the downfall of apartheid, which gave rise to this opportunistic integration, the South African society has become more stratified than before. Social classes have been strengthened. Economic gaps have further widened and the collectivist ideologies of the apartheid era as shown later in chapter 4, have been diluted, thus confirming Mosco’s (1997) idea of capital as a primary determinant of power in society. In the media industry, the size of BEE companies has increased remarkably, seen in their assets and the way in which they continue to challenge the power of the state to bring about regulatory reform as shown elsewhere in the study, but they have not contributed to a meaningful
empowerment by creating jobs or alleviating poverty within the historically disadvantaged communities.

In contrast to BEE, studies about media globalization have been proliferating for quite a long time. However, most of the discussions on this process often take a singular perspective, wherein globalization is often denounced for various reasons relating to the fragmentation of what Habermas (1989) refers to as the ‘public sphere’, its treatment of audience as consumers rather than citizens, and the undermining of the nation-state (Schiller, 1976; J.B. Thompson, 1995; Herman and McChesney, 1997). As a result, the term has turned out to represent a misnomer, often bandied around loosely. The study discusses briefly each of the reasons above as articulated in various studies on media and globalization. This will be followed by a critical examination of this process from a BEE perspective. In so doing, the pro-globalization and anti-globalization arguments circulating in scholarly works will be placed in their proper perspective.

As seen in various literatures, most of the studies on media and globalization take a receptive approach. In other words, the existing literature often places the South African media firms on the receiving end of capital from TNCs (cf. Fourie, 1998). In contrast, this study takes an integrative approach by including a dispatcher model. Such a model does not necessarily focus on globalization as a core/periphery or North/South problem, but as an integrated one, regulated by the regional organisations such as the European Union (EU), the Southern African Development Community (SADC) and so forth (Boloka, 2001). This integrative approach will provide a strong foundation for examining not only how TNCs invade the local markets, but more importantly the role that BEE
companies play in foreign markets as well.

With regard to ownership and control, I have already alluded to the fact that the existing literature on this issue somewhat narrowly focuses on *who owns whom* without reflecting on the changes as outcomes of deregulation (see for instance, Grové, 1996; Mabote, 1996; De Beer, 1998). My consolidated method will draw on the theory, definitions and measurement techniques developed by Mosco (1997), Herman & McChesney (1996), Downing (1996), Iosifides (1997) and Sanchez-Tabernero *et al* (1993) to analyse these changes. This literature cuts through media economics and political economy, and will, therefore, help in understanding the conditions under which this corporate control and ownership are negotiated. The methods advanced by these theorists will be valuable in complementing Madi’s (1993, 1997) approaches comprising the traditional and modern stages of empowerment.

The impact of corporate globalization on the South African media is divided into 3 periods: the apartheid period, the transitional period and post-apartheid period. For the apartheid period, works by Tomaselli *et al* (1987); Teer-Tomaselli *et al* (1989); Tomaselli and Louw (1991) and Louw (1993) not only deal with the media/government relationship during apartheid where the media catered for minority interests, but also the torrid conditions under which it operated. The transitional period literature (period between 1990 and 1994) encapsulates the different media policies amid the changes taking place shortly prior to South Africa’s transition. The views expressed at *Jabulani! Freedom of the Airwaves* and other conferences shaping South African media policy are contained in this literature. The post-apartheid literature captures the historic changes in the media industry following the demise of apartheid and the new role that the media was expected to play in transition.
The serious concern with the media's new role in the post-apartheid era is emphatically discussed in De Beer's article *The press in post-apartheid South Africa: A functional analysis* (1989) in which he concluded that after transition the South African media was likely to develop into an authoritarian system. This prognostic tone is further evident in Fourie's article *Post-apartheid South African media and development published* (1994), which appeared a few years later. Based on the South African economic situation, consisting of a combination of both First and Third World characteristics, Fourie (1994) concluded that the media was going to play a developmental role. The centrality of the role of the media extended into the post-apartheid period (Tomaselli, 1997; Fourie, 1994; Teer-Tomaselli, 1996, Berger, 1999, 2000) as discussed by Berger (1999: 102) who commented that,

> For media to play a properly democratic and/or developmentalist role it need to be staffed and managed by people with sensitivity to this role and who are also in a position to communicate with the bulk of the society. In South African conditions, this requires tipping the imbalances in media staffing towards demographic representativity-particularly racial, but also along gender lines.

Despite the concern with media's new role, it is within this rich literature that the issue of empowerment in the South African media industry is being tackled in scholarly works especially Tomaselli's (1997) influential work: *Ownership and control in the South African print media: black empowerment after apartheid, 1990-1997* and Duncan's *Talk left, act right: what constitute transformation in South African media* (2001). Berger's two articles, *Towards an analysis of the South African media and transformation, 1994-1999* (1999) and *De-racialization, democracy and*

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15 This article was firstly presented at the political economy seminar at the University of Natal, Durban in 1999.
development: Transformation of the South African media, 1994-2000 (2000) emerged during this period, therefore very important to this study. Outside these works, other unpublished work by previous Centre for Cultural and Media Studies (CCMS) students were also used to complement the literature provided above. The periodical arrangement of this literature is helpful in terms of monitoring the change in South African media studies at the point at which empowerment and globalization were beginning to emerge. As mentioned earlier, a major pitfall of the majority of this literature has been to follow a similar trend by confining empowerment to racial substitution wherein any deal involving a black and a historically white company is regarded as BEE.
Chapter 2

Post-Apartheid Media Overviewed: Black Economic Empowerment Justified

Introduction

This chapter traces the history and the development of BEE and the general factors underlying its foundation in the media industry. The chapter begins by briefly exploring the South African media landscape prior to the events of 1994 and how that was changed by the new dispensation. This historical exploration aims to provide the framework from which the history of BEE in the media industry can be analysed. Before the transitional period, which saw the demise of apartheid in 1990, a few companies shared ownership of the media industry. In the print sector this ownership was shared amongst Naspers, Perskor, TML\textsuperscript{16} and Argus whose newspapers were scattered throughout the country’s national and regional markets. These four white-owned groups also had controlling interests in the broadcast sector through their investments in the country’s only pay-channel, M-Net. Established in 1986 by Naspers, M-Net’s transmitters were co-located with those of the SABC. As a subscription channel, M-Net provided films, entertainment and documentaries. Outside of the M-Net, the television service comprised 3 channels and 22 radio stations, which were all owned and controlled by the public under the SABC Act of 1936 (Tomaselli et al, 1987; De Beer, 1998).

Both Argus and TML were linked to the mining conglomerates of Anglo-American and Johannesburg Consolidated Investment (JCI) respectively. Controlled by Anglo-American through JCI, the Argus stable comprised the following newspapers, magazines and broadcasting interests:

\textsuperscript{16} Formerly known as South African Associated Newspapers (SAAN).
Diamond Field advertiser (Kimberly), Argus (Cape Town), Pretoria News (Pretoria) Daily News, Natal Mercury (both in Durban), 18% in M-Net, 18% in Radio 702, CNA/Gallo, Pace, Style and Leadership. The following list indicates TML’s ownership: Sunday Times, Cape Times, Financial Mail, Business Day, Eastern Province Herald, Evening Post, Weekend Post, Algoa Sun, 50% of Pretoria News (another 50% owned by Argus) (Louw, 1993; De Beer, 1998).

Naspers and Perskor, on the other hand, were the outcome of Afrikaner nationalism, part of which was an economic initiative to counteract the dominance of English capital in the South African economy (Louw, 1993). This, however, does not suggest that the two media institutions were similar in their approaches to Afrikaner nationalism. As shown later, they were serving different Afrikaner communities and two sets of empowerment advanced in the Transvaal and Cape referred to as North and South respectively in this study. Founded in 1915, Naspers was one of the biggest Afrikaans media groups, which was established with the intention to promote Afrikaner nationalism. Based in the Cape, Naspers was as an ideological institution, which pioneered and represented the voice of ‘die volk’ in the South (see also Louw, 1993; O’Meara, 1983). Naspers also mobilised funds for Afrikaner nationalism through persfonds (press funds) and Nasionale spaarfonds (Nasional savings funds), which were also vital in sustaining the company’s rise to prominence (see also Louw, 1993). Over the years, Naspers grew remarkably, as demonstrated by its vast media interests ranging from broadcasting, Internet and telecommunication to print and publishing. By the beginning of South Africa’s transformation period in 1994, the list included huge interests in 4 newspapers, 16 magazine

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17 Nationalism is defined by Collins (1990: 11) as “the belief system or ideology that asserts that the interests of a community, a nation, are best served through resistance to transnationalization and that it is only in (relatively) autonomous, economically sufficient and culturally homogeneous political units that individuals can protect interests and feel at home”.

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titles, M-Net, MIH Holdings, M-Web Holdings and M-Cell. With so many magazine titles, Naspers accounted for 65.3% of the total South African magazine market, while M-Net remained the sole subscription service provider in South Africa.

Like Naspers, Perskor was started as a vehicle for Afrikaner nationalism. However, in contrast to Naspers, it was based in the Transvaal where it served Afrikaner empowerment in the North. Perskor was established in 1971 following the merger of Afrikaans Pers Beperk (APB) and Voortrekkerpers. As demonstrated later, the formation of Perskor was a reaction of Afrikaners in the North against the economically powerful ones in the South as seen through the success of Sanlam and Rembrandt (Muller, 1987). Following the merger between APB and Voortrekkerpers, Dagbreek Trust became the major shareholder in the company. As Muller (1987) contends, the different performances exhibited by Naspers and Perskor were attributable to Naspers’ combination of hard-nosed pragmatism through its newspapers and uncompromising support from the NP (Muller, 1987: 136). Naspers’ competitive edge over Perskor became evident in what Muller (1987: 118) termed, ‘the Press Houses at War’. The term follows Naspers’ swift move to launch a daily newspaper, Beeld in its effort to counteract Perskor’s domination in the North. As discussed later, the different performances by Naspers and Perskor and the competition between them indicate that Afrikaner nationalism was not a monolithic discourse.

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18 Rembrandt’s origin dates back to the 1940s. Rembrandt became the third financial group to emerge out of Afrikaner nationalism after Sanlam (South) and Volkskas (North). Contrary to the two, it was difficult to classify in terms of political affiliation. Thus although established in the Cape, it was leaning towards the conservative North Afrikaners, a practice that can be attributed to the dominance of the North’s Broederbond (see also O’Meara, 1983).

19 Dagbreek Trust was a controlling subsidiary within Dagbreek Pers, a company that merged with Afrikaans Pers to form APB in 1962. This means that despite the APB/Voortrekkerpers merger, Dagbreek Trust remained a controlling
Perskor served as the voice of Afrikaners in Transvaal promoting petty bourgeoisie conservatism in the North (Muller, 1987). Although not nationally spread compared to Naspers, Perskor succeeded considerably as the voice of ‘die volk’ in the North and as an economic institution. By 1996, Perskor had transformed remarkably as an economic instruments seen through its diverse ownership interests. The list included profitable magazines, the Citizen, a stake in M-Net and 50% share in Rapport (another 50% was held by Naspers), Transvalers (Pretoria) and Imvo Zabatsundu (King Williamstown). Through its stake in Republican Press, Perskor also had interests in magazines such as Bona, Scope, Thandi and Farmer’s Weekly. Although this massive ownership provided strong grounds for competition with Naspers for a share of the audience, Perskor’s performance was often overshadowed by Naspers’, thus confirming the economic disparity between Cape and Transvaal Afrikaners.

The above picture presents the South African media as concentrated in a few hands, shared and contested between the English and the Afrikaners. As further shown, print media is not only concentrated in a few hands, it is also white-owned (Louw, 1993). As indicated by the size of ownership above, the main features of both apartheid and post-apartheid media was their resort towards diversification through vertical integration. Vertical integration can be interpreted as attempts by conglomerates to maximize profit, thereby leaving no openings for newcomers in the market to threaten their positions. Therefore, vertical integration has to be viewed as an exercise of

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20 Diversification is defined by John Thompson (1995: 195) as the “process by which companies expand their activities in their different domains or product lines, either by acquiring companies, which already operate in these domains or by investing capital in new development” (see also Garnham, 1990; Sanchez-Tabenero, 1993). As a process, integration takes two forms namely, vertical and horizontal. While horizontal integration deals with the control of the process of production in a specific industry or sector, vertical integration on the other hand, concerns itself with control of process
domination in the industry in general. The move towards vertical integration was an attempt by these four conglomerates to overcome competition amongst each other. However, such a practice has both its advantages and disadvantages. Thus, in cases where competition cannot be sustained, companies resort to the interpenetration of capital and interlocking-ownership exemplified by the co-owning of M-Net, Radio 702 and Rapport by Naspers and Perskor in the early 1990s and TML/Argus relationship explained briefly below. This organised ownership attests to what Ken Owen (1995) referred to as a cartel characterised by joint control of ownership, distribution, purchases and uniform policies regarding pricing, management and advertising. As a characteristic of a semi-monopolistic market, this practice often creates high barriers to entry into the market (Albarran, 1996).

Based on Owen's definition, a cartel is simply a negotiated monopoly. This relates to the manner in which, though operating in the same market, companies avert competition by sharing ownership. As an example, Argus like Perskor had 18% shares in M-Net translating into joint ownership. The only difference is the number of shares held by individual companies. So this interlocking ownership results in a uni-directional flow of capital. In terms of M-Net's ownership for instance, there was at one stage, no distinction between Naspers, Perskor, Argus and TML. In 1996, Naspers through its involvement in Rapport owned 23.96% shares in Perskor while Argus had 35.8% in TML in 1994 (De Beer, 1998). Such a cooperative practice turns these firms into price makers in the end (cf. Albarran, 1996; Alexander et al, 1998). In other words, because of the unavailability of other producers, they can set the prices to maximize profit knowing quite well that consumers have

of production across sectors within and outside the general communication industry (cf. Sanchez-Taberner, 1993).
limited choices available to them.

Again, the picture above illustrates the stark divisions between the English and Afrikaners for a large part of the 20th century. Although Afrikaner businesses were established to spearhead Afrikaner nationalism, the picture above also demonstrates how this had fallen away in the 1980s in favour of a common goal of creating a profit for whites in general. In other words, the picture highlights the connection between race and capital and how the two factors impact on social relations. Thus, capital plays a significant role in terms of creating class and social relations. This is manifested in the fact that, while blacks were in majority, their conspicuous absence in the economic contestations and relationships is quite striking. In other words, they were not actively involved in this contested media industry, particularly at levels of ownership and control, where decisions are taken (see also Goga, 2002). Their absence can largely be attributed to apartheid policy, which became part of Afrikaner nationalism in 1943 and was eventually implemented by the National Party government in 1948 to keep blacks in their “proper place as workers” (O’Meara, 1983: 174). This is accurately articulated by O’Meara (1983: 175) who writes, “it (apartheid) ensured, amongst other things, that low wages and conditions of work were maintained and regulated whilst the jobs and superior positions of white Afrikaner workers were protected from competition from cheap African labour in all sectors of the economy”.

With the changes in the country taking place in the early 1990s, a public sphere for debates was beginning to emerge as exemplified by The Free, Fair and Open media, the Jabulani! Freedom of the Airwaves and the Arniston Media Policy Workshop. The ideas expressed at these gatherings laid
the foundation for future changes in the South African media, including BEE. The section below examines how the BEE initiative took off the ground and the major hurdles that confronted it. A comparative analysis of the current BEE and other economic movements that preceded it, in particular, Afrikaner empowerment is also provided to examine whether these challenges are peculiar to it (BEE) or general problems synonymous with these kinds of initiatives. Following the stupendous mergers that occurred after the country’s transition in the name of BEE, the section further explores the nature of companies to have emerged from these manoeuvres.

Transformation and the Restructuring of the Media Industry: The Origin of BEE Discourse

At the outset, it is worth-noting that the present empowerment initiative is not the first in South African history. The first one involved the Afrikaner empowerment strategies between the 1910s and 1960s under the rubric of Afrikaner nationalism. At that time, English companies such as Anglo-American and JCI dominated the South African economy. Their investments cut across media, commerce and mining sectors. Inasmuch as it had this broad aim, Afrikaner empowerment was not a homogeneous enterprise. It was, rather, a heterogeneous movement contested along class lines by the Cape (South) and Transvaal (North) Afrikaners. This is seen in the different aims of empowerment in both Cape and Transvaal, the competition between Naspers and Perskor and their differing developmental stages. Thus while Afrikaner empowerment in the South represented an improvement of capital accumulation for wealthy farmers, the same can never be said of the economically weaker North where it (empowerment) was a survival strategy to retrieve Afrikaner capital, which was destroyed during the Anglo-Boer War. The economic conditions in the North
compelled the earlier part of the initiative in the Transvaal to focus on the poor-whiteism question in an attempt to return the poor whites to the land following the Anglo-Boer War (O’Meara, 1983: 104). These conditions suggest that in the North, Afrikaner nationalism was rural and confronted with the Afrikaner’s transition from rural to urban life (O’Meara, 1983). As O’Meara (1983) opines, in the North, Afrikaner nationalist empowerment was mythologized on solidarity or ‘standing together’ as advanced by the ‘Broederbond’ phenomenon. The importance of the Broederbond as the driving force behind Afrikaner nationalism in Transvaal can be seen in the establishment of Volkskas, initially a cooperative bank, in 1934, to provide "easy credit to suit the national requirements rather than capitalist profit" (O’Meara, 1983: 103).

From the outset, the North was besieged by numerous problems ranging from the lack of business experience and capital to isolation from capitalist farmers following the Anglo-Boer War to political weakness inhibiting the centralisation of capital. These issues demonstrate the dissimilarities between the economically powerful South and the weaker North. This unevenness resulted in the tensions that went on to characterise the Afrikaner economic initiative, and became synonymous with it. Contrary to the North, the more liberal Cape Afrikaner agrarian capital had not been involved in the Anglo-Boer War. Financial institutions, in particular Sanlam and Santam, were the key institutions in the advancement of Afrikaner empowerment in the Cape. Not only did these two institutions draw various kinds of disposable money scattered in larger and smaller sums throughout Afrikaner society, they further symbolised the centralisation of Afrikaner agrarian capital. The significance of Sanlam to Cape Afrikaners is eloquently described by O’Meara (1983: 208), who says,
the Sanlam group not only covered the local market of the Cape, but also was a major beneficiary of the centralizing policies of the reddingsdaad movement at a national level. Money, which might have gone into small local undertaking, went to Sanlam, thus creating the hostility between the Southern Financial power and the Northern petty bourgeoisie.

As O'Meara (1983: 207) implies, Afrikaner nationalism in the Cape was well-organised and this manifested itself through a three-point capital accumulation programme: firstly, ‘die Afrikaner volk’ had to support and strengthen existing Afrikaner credit institutions. Secondly, new institutions had to be established where necessary, but only under the protection of existing ones, in particular, Sanlam. And thirdly, because only non-deposit-receiving institutions provided the requisite risk capital to increase Afrikaner penetration of the industry and commerce, overwhelming emphasis was placed on the development of these particular kinds of financial institutions, particularly insurance companies.

As shown through the different developmental stages between Naspers and Perskor and the continual domination of the Cape Afrikaners, these different business approaches impacted heavily on the kind of empowerment that the two regions were promoting. While Cape empowerment advanced rapidly, the Transvaal initiative was often staggered and torn between conservatism and avant-gardism seen in the conflicts besetting it. However, the above dissimilarities were brushed aside when Sanlam and the Broederbond decided to cooperate with each other in 1937 in an attempt to uniformly coordinate Afrikaner empowerment. Although the relationship between them was conflictual, built on suspicions and fears, presumably derived from puritan versus non-puritan nationalist politics, they were always downplayed and hidden beneath the rhetoric of nationalism.
symbolised by the *volkskapitalisme* slogan. This adequately confirms Collins’ (1990) opinion that despite the tensions and dissimilarities, nationalism is a unified belief system or ideology through which the interests of a community and nation can be served. Although the poor-whiteism issue resurfaced when people such as Hendrik Verwoerd (the architect of apartheid ideology) rose to prominence in the ranks of NP, it was “rather integrated within the idea that rather than concern itself with poor whites...the movement should aim to help Afrikaners become an entrepreneur, an employer and an owner of capital” (O’Meara, 1983: 111).

The expansion of Sanlam saw the establishment of Saambou, a building society in 1940s. With the cooperation of Sanlam and the Broederbond, both Sanlam and Volkskas went on to become the symbols of capital centralisation for Afrikaner nationalism, each based in one of the two major centres, the Cape and Transvaal respectively (O’Meara, 1983). Though having strong financial backup in the form of Sanlam, Saambou and other various financial institutions, it actually took Afrikaner empowerment companies like Naspers and Perskor 10 years to build and gain consolidation on the JSE as indicated in fig.1 (*Sunday Times Business Times*, 13 June 1999). The slow growth of Afrikaner empowerment in O’Meara’s (1983) terms can be attributed to its dependence on agricultural capital, particularly in the North. The latter is highly influenced by the natural cycle that affects its reproduction and the fluctuation of agricultural prices. In brief, fig. 1 summarizes the major points raised above about Afrikaner empowerment in relation to BEE. However, the Nationalist Party’s succession to power in 1948 changed and accelerated the initiative. Apart from introducing taxation policies and expanding sectors such as agriculture, the state sectors such as railways were expanded so that parastatals could train aspirant Afrikaans entrepreneurs. As
Merle Lipton (1985: 283) further confirms, “both the government’s central and local accounts were shifted to newly-found Afrikaner institutions; government contracts were steered towards Afrikaans companies”. With the expansion of the public service to accommodate Afrikaners, Afrikaner empowerment not only occurred on the level of business, but also on the level of the individual through the creation of job opportunities for Afrikaners in the railways, civil service and so forth.

Fig. 1. Historical development of Afrikaner empowerment

Source: McGregor's who owns whom

Graphics: Fiona Krisch

The diagram demonstrates the history of economic empowerment initiatives in South Africa and Afrikaner Empowerment from 1959 and how it seriously challenged the English dominance at the JSE. As exhibited, Afrikaner Empowerment rose rapidly until 1967 when it remained more or less constant. It suddenly rose again from 1979 to 1991. Again, the absence of black participation until
after 1991 can be seen. It was in 1996 that black business actually made an impact at the stock exchange. With black capital calculated at 17% at the stock exchange in 1996, it outperformed both the Afrikaner and English ownership. Though Afrikaner control showed no significant decline, English domination dropped considerably and consistently over the whole period. The continuing decline of English dominance can be attributed to the unbundling of conglomerates such as Anglo-American’s Argus and JCI. Another contributing factor might be the listing of some of these companies offshore. Anglo-American’s interests extended beyond the media and mining sectors and the unbundling and de-listing of some of these assets contributed in large measure to the emergence of black business. After 1997, black participation dropped gradually while that of Afrikaners accelerated. The sudden drop of black ownership could be linked to mergers which resulted in the de-listing of the majority of subsidiary firms such as Johnnic’s TML, which could have contributed to the maintenance of the earlier level of ownership.

Although Afrikaner empowerment and BEE show some striking similarities, the differences are also quite remarkable. Major similarities stem from the creation and accumulation of capital strategies, their approach to the unemployment problem and the internal conflicts characterising the two initiatives. However, the difference begins at the various stages at which these issues are addressed by the initiatives. Although differentiated between North and South as manifested through the ‘poor-whiteism question in Transvaal vis-à-vis capital consolidation in the Cape’, the Naspers and Perskor formation and the meteoric rise of Sanlam, these problems were only critical to the earlier part of Afrikaner empowerment. They were to a certain extent overcome in the 1937-through
cooperation between Sanlam and the North’s Broederbond and the Afrikaans Handel Instituut (AHI). This cooperation was seen in their joint objection to Unemployment Insurance Fund Act. It was argued by AHI that unemployment was no longer a danger to South Africa “except for the perennially unemployed, and that the act is applied without differentiation to white and black workers. Since the majority of the unemployed were Africans, it was considered by AHI that white workers and white employers were subsidising black unemployment” (O’Meara, 1983: 172). Therefore, the AHI and Broederbond felt that the Unemployment Insurance Fund Act was not necessary. This citation demonstrates the aftermath of Afrikaner empowerment, which was carried over to confront BEE decades later, namely, the concentration of South African capital in a few white hands, the economic imbalances created by apartheid, and the high black unemployment rate. The history of these problems, as drawn from the citation, dates back decades ago.

Again, the difference between Afrikaner empowerment and BEE is seen in the financial backup provided by Sanlam, Volkskas, private funds and so forth, in the centralisation of capital for Afrikaner empowerment. Needless to say that the central and continuous role played by the NP government by means of legislation, financial institutions and public sector expansion contributed to the success of the initiative. On the contrary, BEE’s emergence in the media industry was a struggle that meandered through South Africa’s transitional period. As seen in the conferences discussed in the previous chapter, the ANC was gravely concerned about the concentration of media ownership in a few white hands (see also Louw, 1993). This concern prefigured what was to follow when the ANC assumed power in 1994. In March 1994 (one month prior to the first democratic elections), ANC

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AHI was formed in 1942 as a representative organisation of Afrikaner Commerce and industry. Its aims were to provide guidance and direction to Afrikaner business and to facilitate greater contact and cooperation between them.
media chief, Carl Niehaus, addressed a party meeting in Durban, where he indicated that the ANC was planning to break up the large conglomerates that dominated the economy and the stock exchange. He further pointed out that the ANC would also introduce legislation to further unbundle the Argus group (Mercury, 10 March 1994). The ANC, the statement continued, had already put pressure on the electronic and print media on this score, targeting Argus Holdings. This sustained political pressure forced Argus to establish a Task Group to look into the possibilities of change (cf. Louw, 1993). It did not come as a surprise when Argus became the first conglomerate in the South African media industry to be involved in intensive restructuring.

However, the fact that BEE was raised in 1993, only to actually take off in 1994 suggests that though social and political movements can exert power on the state, regulation which enforces policies remains the government’s decision. Since BEE was the ANC ‘s policy, it could not enforce it nor influence decisions regarding its implementation as it(ANC) was outside the Tricameral Parliament. The consequence of the constant pressures, particularly from the ANC as highlighted above, resulted in massive asset-stripping exercises. The first phase of this saw the emergence of NAIL through the acquisition of a 52% shareholding of the Sowetan. A second phase brought about the ING Holdings Limited through Tony O’Reilly’s buying of 31% of separately listed Argus Newspapers from Anglo American and JCI, the major shareholders. This followed Argus Holdings, Argus Newspapers’ parent company, being renamed Omni Media and eventually being incorporated in Anglo American’s Johnnic (cf. De Beer, 1998). O’Reilly’s stake was increased to 58% in 1995 to give him effective control of the company. From these piecemeal transactions, there is a striking...
dualism discernible: while the deal with NAIL may be considered BEE, the involvement with O'Reilly seemed to be a restructuring for globalization. Because of this, the present study treats them as different cases, with this chapter focusing only on the deals considered as BEE. O'Reilly's case and others similar to it, will be dealt with in the chapter on globalization.

Initiated in 1993, BEE actually gained momentum in 1994 after the ANC was voted into power. Based on this, the nature of ownership and control in South Africa, provided in the previous section the question is: was BEE a voluntary or an enforced process and how does this enforced nature impact on BEE firms entry into the media industry? It might seem that the external pressure from the ANC-led government precipitated and further accelerated BEE. This view is shared by the following comments:

The core of the problem lies in the structure of black empowerment transactions, which are often driven by white fear than by black entrepreneurialism. What normally happens is that a large South African company decides if it wants black shareholders, perhaps to help it win government contracts or out of the sense of obligation to the new South Africa (Business Day, 16 October 1998: 12).

The combined factors of pressure and the attempt 'to win government contracts' present BEE as an enforced exercise both politically and economically. It is politically enforced in the sense that historically white companies responded to it in reaction to the constant government pressure. It is also economically enforced in that by being seen to be taking part, historically white companies further will stand the opportunity of getting lucrative government contracts in areas such as...
publishing and supply of education materials.

Another interesting question arising from this discussion relates to the way Argus was constantly pressurised to unbundle compared to the Afrikaner institutions such as Naspers and Perskor. The latter were not only ideological institutions, which from their inception served the Afrikaner empowerment initiatives (Muller, 1987), they were also deeply integrated conglomerates which controlled various newspapers, magazines, publishing companies and bookshops (cf. Mabote, 1996; Louw, 1993; Tomaselli, 1997; De Beer, 1998). Was it because the ANC wanted to reconcile with the Afrikaners, and they thought this would be jeopardised if Naspers and Perskor, as the pride of Afrikaner capital, were immediately destroyed? Such a possibility should not be ruled out if one considers how volatile the situation was between 1993 and 1994. This question indicates quite clearly how governments negotiate power and quell crises to achieve stability in a society.

The discussion of the deals hereunder demonstrates the companies' responses to economic and political pressures in their quest to survive in a changing media environment. The pressures articulate the relevance of Anthony Giddens' (1981) structuration process, which helps us to understand the impact of external factors on media institutions, in particular, the state, political organisations and social movements. These factors impact heavily on the way the media operate and the regulations underpinning their operations. In order to survive in the business, media organisations have to respect these regulations. As Murdock (1982) asserts, media organisations do not operate autonomously and individually as institutions without interference from the state.

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23 The invasion of the World Trade Centre by the ultra-rightist AWB in 1993, with the intention of derailing the
As pointed out earlier, the ANC played a significant role in BEE. Its role can be seen firstly, as a political organisation and secondly as a leading player in the government. Its incessant call for diversity in media ownership, and particularly its criticism directed at Argus, seems to suggest that BEE is largely an enforced initiative rather than a voluntary one. Even the government’s privatisation process seems to reflect this enforced characteristic fuelled by economic pressures. As Mosco (1990) confirms, privatisation is a reflection of the state’s intention to cutback on subsidies and expenditures on social institutions. In selling to or placing them in private ownership, the state was not only relieving itself of the financial burden, but also further generating funds to maintain the ones it kept. Again, the state can also collect taxes from the private companies. In other words, privatisation is also an economic pressure for the state not only to bring about economic reform, but to increase the state revenues (see also Emsley, 1996).

The pressures discussed above and the enforced nature of empowerment contributed immensely to empowerment. This is seen in the section below providing a synopsis of some significant BEE deals to have been struck in response to the pressure. As outcomes of external pressure, the deals demonstrate Madi’s (1997) traditional approach to empowerment discussed in the previous chapter. While there have been numerous economic interactions between historically white and black

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24 Argus seemed reluctant to sell some of its shares to the black consortium as they retained their allocative control. This attests to Kriel (1999)’s idea about suspicion by conglomerates when dealing with economic empowerment companies. In a letter send to Mail & Guardian (4/12/1995), Moeleti Mbeki wrote that, though the ANC was opposed to this transaction, on the basis of Argus keeping allocative control, Dr Motlana defied them and went ahead with it. Similar reluctance became evident in Anglo-American/NEC deal, which transferred Johnnie into black management. Anglo initially retained 6.4% of its original 47.4% in Johnnie, which it had no plans to sell in five-year period (Sunday
companies in the media industry, a few stood out because they marked the first entry of BEE companies in an industry that was predominantly white, thus signalling the change of the South African media. The first part of examining these significant deals will be to describe how they were negotiated and concluded and the important aspects about them in relation to BEE, without delving into their ambiguities. The deals will be critically analysed later.

The History of the BEE deals

Following constant external pressure to unbundle, which was noted in the previous section, the first phase of Argus’ restructuring saw the emergence of NAIL through the acquisition of a 52% shareholding in the Sowetan. However, Argus retained a 20% in New African Publishers Ltd with 75% owned by Corporate Africa. Argus also kept the remaining 42% of the Sowetan, and its printing, advertising and management control. With this kind of arrangement, Argus retained allocative control of the Sowetan, thus giving them responsibilities of allocating the budget and making overall management decisions regarding the company. The stake in the Sowetan was increased to 95% in 1997, with 5% given to the Sowetan staff. As Tomaselli (1997) confirms, NAIL was valued at R900 million on the JSE. Investors in NAIL included: Sankorp, the investment arm of Afrikaner insurance company, Sanlam (21.5%) and the National Council of Trade Union (NACTU) (13%). The company’s principal investment was 30% equity in Metropolitan Life (Metlife), bought from Sanlam in 1992. Other interests then included 10% in MTN and 21% of African Bank.

Argus was not the only apartheid conglomerate to respond to pressures for change. In an attempt to...
take part in the transformation process, Naspers also formed new partnerships and sold 51% shares of City Press to black companies, such as Ukhozi Media investments and Dynamo Investments. Contrary to Argus, Naspers’ involvement in BEE occurred only at operational level (cf. Tomaselli, 1997). At this level, empowerment companies operated on the budget and policies designed by Naspers as seen in name change of the company that owns City Press, namely, City Press Media Ltd, to CPR media. This change took another Afrikaans Sunday newspaper, Rapport into the stable. Due to the involvement of blacks in the transaction, and fact that Naspers would probably provide the much-needed financial boost to these companies, these initiatives have been interpreted as BEE (cf. City Press, 18 April 1999).

Another important deal by Naspers involved the selling of 50% shares of its educational publishing to the ANC investment arm, Thebe. The deal involved a joint venture between Naspers’ Nasionale Boekhandel and Vula Industrial Holdings, Thebe’s subsidiary. In an attempt to further increase ownership of historically disadvantaged groups in its assets, Naspers sold 4 million shares in M-Net to Phuthuma Trust.

Perskor restructured for BEE in 1996 in a deal that involved Kagiso Trust Investment (KTI) in an educational publishing business with market value of R300 million. The KTI deal came at a time

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25 Thebe basically concentrates on small to medium-sized business ventures. Its subsidiary, Vula Industrial Holdings has, through its communication arm, Vula Communication, interests in cinema exhibition, printing, publishing and other sectors including housing (see also Tomaselli, 1997). Through its 14% interests in Newsshelf 71, Vula Communications owns radio stations such as Kaya FM in partnership with NAIL and Europe Development International (EDI).
26 KTI is an off-spin of Kagiso Trust, initially an ANC-UDF financial anti-apartheid non-governmental organisation with black and white trustees who disbursed funding to marginalized communities under apartheid. In 1993, Kagiso Trust established Investment Trust, and also set up an investment holding company. The establishment of KTI, an investment arm followed dwindling international donations after the new dispensation. So KTI was formed with the sole aim to
when Perskor’s sectors showed little growth and could not match Argus and Naspers. With the exception of a co-owned *Rapport*, the various sectors within Perskor’s stable were not doing well (cf. Executive Chairman’s *Annual Report*, 1994). Perskor’s negative performance post-1994 can be attributed to its forfeiture of government printing contracts, which were in Kagiso’s hands. The deal with KTI was done by exchanging various KTI assets for Persbel shares (Tomaselli, 1997: 59). The Perskor/Kagiso structure is represented in fig.3. Kagiso’s assets attached to the transaction included Kagiso Publishers, exclusive rights for Perskor to use the Kagiso trade name and trademark conjunctive to publishing and printing (*Perskor Groep Circular to shareholders*, September 1994). Perskor’s shareholders included its holding company, Persbel, Naspers and Dagbreek Trust. As part of this deal, Dagbreek Trust relinquished its shares to make way for KTI. Kagiso became a joint controlling shareholder of the Perskor group. As part of the agreement, Kagiso would have 3 members on the 9 persons board representing Persbel, Naspers and Dagbreek Trust. Kagiso’s influence was however, restricted to board level without impacting on allocative and operational levels.

Another company emerging from the pressure-aided restructuring was Johnnic. The company was purchased by NEC27 from Anglo-American’s JCI. The deal brought with it Omni Media (formerly Argus Holdings) and TML, which were incorporated in Johnnic after the restructuring in 1994. NEC initially bought 20% of Johnnic for a fee of R1.5 billion with the option to further increase this stake in 18 months. While Anglo retained 6.4% of Johnnic, 35% was relinquished immediately with a further 6% made available via a retail offering to smaller NEC members later. In ensuring that

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27generate funds for Kagiso Trust. KTI entered publishing sector through the buyout of De Jager-Haum publishers.
28NEC is a network of 50 interlocking corporations including Allied Capital, NAIL, Nozala, UAM and all quasi-
Johnnic remained a vehicle for empowerment, it was internally agreed by all NEC members that none of the constituents should acquire more than 12.5% in the company. This was despite Anglo’s restriction of 25% ownership by the constituents. Like Argus’ unbundling of the Sowetan, Johnnic’s deal was staggered, concluded after 18 months. This was deliberately done to allow NEC to raise enough money for the purchase (see Tomaselli, 1997). Eventually, NEC managed to raise R1 billion more than required, thus guaranteeing them ownership of the company.

Contrary to the Sowetan’s purchase, Johnnic was purchased with huge loans, which demanded relatively large percentage returns (cf. Tomaselli, 1997). The purchase brings into the picture the role of financial institutions such as banks, which do not only keep stocks for media companies, but also further provide loans for the purchasing of such stocks. The significance of the Johnnic deal for empowerment can be seen in the way it immeasurably increased the participation of historically disadvantaged groups in the economy as illustrated in fig. 7. These organisations in fig. 7 represent diverse interest groups that never had an opportunity to invest in the mainstream economy. The importance of the deal is further seen in the way it paved the way for black capital to enter global economy via Multi-Choice International Holdings (MIH) and British-based publishing group, Pearson. As Tomaselli (1997) points out, after the deal, a 10% of the JSE was controlled by black dominated capital, hence it was hailed as a historical deal for BEE (Berger, 1999; 2000; Tomaselli, 1997). However, as with Argus and Naspers in the Sowetan and City Press deals, the initial practice of retaining allocative control by these companies continued to surface as members of NEC were involved mainly at the ownership level. Again, the fact that Johnnic was purchased through loans

organisations representing black people (see fig. 5).

28 MIH owned 40% of Network Holdings, the M-Net cable operator in Europe.
was a critical factor, as NEC members’ failure to keep up with their payments would have taken the company back to lending institutions illustrated in fig. 7.

The above deals demonstrate how the four media conglomerates in South Africa were restructured. Of critical importance is the way BEE companies entered the media industry. As demonstrated throughout this study, this occurred mainly via the partnerships interpreted as BEE. The question is: were these deals indeed BEE or general economic strategies often associated with the companies’ quest for corporate extensions? The question will be answered by looking at the deals in relation to some features of BEE and they way the deals impacted on decision making within these companies. This involves bringing into the discussion, the elements proposed by Kieffer (1984) outlined earlier on about empowerment, namely, advancement, incorporation and commitment, to determine whether these deals were indeed contributing towards economic advancement of BEE groups or whether they were a response to external pressure compelling the companies to change as explained by Madi (1997). The deals invoke two issues, which shape them, namely, BEE and economic strategy. These issues are difficult to distinguish from each other. In this study economic strategy refers to the ability of the companies to engage in deals and operations from which they largely benefit economically as entailed in Madi’s (1993, 1997) traditional approach.

While BEE thematizes gradual economic advancement complemented by incorporation and commitment, economic strategy increases the economic power of the media conglomerates. So the recruitment of blacks as managers or partners within the organisations is part of this aim of increasing economic power. As the deals below illustrate, economic strategy is deeply intertwined.
with BEE. Therefore, it can be mistaken for BEE at times. The following can be considered as some of the features of economic strategy:

- *Deals as precipitated by both internal and external pressure* (cf. Gallagher, 1982; Madi, 1997).

Internal pressures relate to the financial aspects, which are likely to be forfeited if deals of this nature are not strategically forged. External pressure, on the other hand, has to do with issues of operation outside the companies themselves such as the government and the public, who expected these companies to respond to the changes taking place in the country (cf. Madi, 1997).

- *The power of one of the partners, who by virtue of capital power dominates.*

The unequal power is seen in the ability of one of the partners to lay the conditions in transaction. It is important to note that no economic strategy can be understood properly outside the market forces. Market forces determine the nature of partnerships to be forged for the company’s survival. Strategic alliances are central to economic strategy because they answer action/power questions. These questions do not only identify allocative controllers, but also indicate how allocative controllers employ strategies to the benefit of the corporations (see also Murdock, 1982). This, in simple terms, relates to who the company forges partnerships with and how is it going to help in the survival of the company. This helps to understand why Naspers joined forces with Thebe and not Nozala, why Perskor with Kagiso, or why Argus Holdings had to restructure its newspaper division as examples. In using political economy to analyse these deals, two kinds of questions described earlier need to be clarified. The first question relates to action/power and the second to structure/determination (Murdock, 1982). As mentioned earlier, the action/power questions identify key allocative controllers and how they exercise the power to "define the goals and the scope of the
corporation and determine the general way it deploys its productive resources” (Murdock, 1982:122). “Structure/determination questions”, continues Murdock (1982: 124), deal “with economic determinants constraining both allocative and operational controllers”.

Restructuring for BEE or Economic Strategy: Some Reflection from the Cases

As mentioned earlier, the rigorous restructuring at Argus was forced by the pressure of both the ANC as a social movement and as a government. It was not out of its willingness to redress the economic impasse created by apartheid. This was shown by the following as briefly discussed: i) initial retention of allocative control in the Sowetan deal, ii) the initial restructuring of only its newspaper division which was later listed as a separate unit, and iii) the issuing of Argus Holdings shares on a one-for-one basis (De Beer, 1998: 93).
If thought about carefully, the separate unbundling of the Argus Newspapers to both NAIL and ING, was not going to affect Argus immensely because it was going to be complemented by its share in both CTP Holdings and TML through Omni Media. It was also a strategic plan to shed its history, thus reflecting how capital adapts to a changing environment. As part of Johnnic, Omni Media, which owned TML, was also black-owned, but white-controlled both at allocative and operational levels. The white control in TML was further strengthened by its Holding company’s (Johnnic) indebtedness to financial institutions that provided loans for its transference into black ownership. This was possibly a strategic plan to attempt to completely phase out the history, which might have hampered its role as a new company to emerge in the post-apartheid restructuring while retaining a stake in it.
The importance of the shedding of history and the adaptation of capital to changing environment is again reflected in a deal involving Naspers. There are important aspects noted about the Naspers/Thebe/Ukhozi transactions. Like the NAIL/Argus deal, Naspers remained allocative controllers of City Press. That raises a serious concern that connects well with the words of the former Managing editor, Ton Vosloo. According to him, the selling of City Press to BEE was “for moral and practical reasons” (Sunday Times, 11 August 1996: 4). The moral and practical reasons invoke the pressure experienced by the companies discussed previously. In other words, it is politically and economically vital that Naspers has to forge deals of this nature. However, as allocative controllers, they have the power to draw up the budget and policy with which both Dynamo Investments and Ukhozi media have to operate. They can, as well, at any given time, change the direction of the company as demonstrated by its name change to CPR media as pointed out earlier. Moral philosophy remains important to Mosco’s (1997) political economy and Kieffer’s (1984) element of commitment embodied in his empowerment.

The first phase of restructuring at Naspers involved the invitation to all its staff and community to take up shares at the company. Although this looks like empowerment in its strictest sense, presumably because it broadens ownership, one needs to consider the company’s staff profile (its racial composition)29 and earning of black employees, their possibility of buying shares, the level of participation by the shareholders and the community in which Naspers was operating. Given the nature of the company at that time, it is highly probable that the majority of its staff who could

29 The research undertaken by Farhana Goga (2000) indicated that despite the increase in the number people of colour in the media industry (57% against 43% white), the majority of blacks, 49%, made up of the unskilled labour category. In a
afford the shares was white. The second phase involves joint ventures and partnerships through which Naspers sold 51% shares in City Press to black business groups. However, the company retained allocative powers. Keeping City Press in white hands at that time was not really a viable option. So in an attempt to woo black advertisers and more readers, they had to leave the operations in black hands. It came as no a surprise when the newspaper reached its million readership mark few years later. The problem surrounding the deal was further demonstrated by Dynamo Investments' selling its equity stake in City Press back to Naspers, hardly two years after the deal was concluded (Mail & Guardian, 5 March 1999). This might signify the discomfort related to the dominant role that Naspers played in the deal, which to certain degree hampered Dynamo Investments' expansion. Since the transaction involving City Press, Dynamo Investments' performance became subdued as it never signed any major deal in the media industry. Dynamo divested its investment criteria and concentrated in food, retail and financial services rather than media.

The deal with Thebe was important to Naspers for both economic and political reasons. It can, therefore, be considered a political ploy to establish a good relationship with the ANC-led government. The deal helped Naspers to secure the tender to supply the department of education with books through its publishing company, Via Afrika. Politically, it also helped Naspers to shed the general perception that it was a typically Afrikaner institution which was resistant to transformation. "These processes", Bold points out, "illustrate the ways in which allocative controllers respond to political imperatives by seeking new arrangements, which simultaneously
appease powerful political interests and consolidate their own dominant position" (Bold et al, 1994: 11). This domination is exercised by means of capital. As part of economy strategy, the deals above demonstrate how Naspers used BEE to reposition itself within an overarching market. This is seen in the way each deal was being approached to suit Naspers rather than the empowerment company involved.

Another economic strategy deal that demonstrates how allocative controllers respond to political imperatives by seeking new arrangements involves Perskor/KTI. Like Naspers' case, Perskor/KTI also shows the importance of government contracts to the survival of the companies, thus further proving empowerment as enforced and driven by both political and economic external pressures. In my view, the Perskor/Kagiso deal was the most controversial to emerge out of the post-apartheid restructuring, reflecting quite clearly economic strategy not only through branding, but through the overall aims of the companies as well. The first important aspect that raises questions about this deal relates to the use of Kagiso trademark and name. As a company that had been in existence since the 1970s, Perskor was surely more experienced in the media industry than Kagiso. The second aspect has to do with the restraint attached to the transaction on the part of Kagiso:

*Kagiso has undertaken not to have any direct or indirect engagement, irrespective of the relationship or capacity, in any venture undertaking the publishing, printing and manufacturing of paper products in South Africa, other than through the Perskor group, for a period of three years following the effective date - 1 July 1996 (Shareholder's Circular, September 1996: 5).*
One can perceive the deal as having strengthened Perskor at the expense of Kagiso, which became economically stagnant. Though Kagiso was a joint shareholder, it had to work in accordance with Perskor's mandate as the restraint required, thus reflecting Madi's black disappearance aspect within the system as explained in his traditional approach. Between 1 July 1996 and 1 July 1999 Kagiso was not involved in any major transaction. On the other hand, Perskor merged with CTP in July 1998, which eventually led to Perskor being swallowed by Caxton (Circular to shareholders, 12 November 1998). The signs of Kagiso's failure to expand and the intention of the deal are explicitly contained in the Perskor's chairman's review. He commented that:

> Although there were high expectations with the acquisition of Kagiso publishers (Pty) Ltd, the external crisis in the education market, had an undesirable effect on the investment. This led to drastic rationalisation of the activities of the company to reduce operating losses (Company's Annual Report, 1998: 5).

These comments raise two important issues about the deal which were not clearly visible from the outset firstly, Perskor's expectation of the deal in terms of economic gain. If one interprets this carefully, Perskor was not making a deal with Kagiso because it wanted to empower it, but because of the former's prosperity in the education market which Kagiso had taken away after 1994. Secondly, the 'drastic rationalisation' in Kagiso's strong market, namely publishing. This brought with it 40% job loss at Kagiso Publishers in 1998. Undoubtedly, this demonstrates how commercial interests can undermine Kieffer's (1984) elements of advancement and incorporation particularly at grassroots levels as explained in Madi's (1993; 1997) disappearance of blacks stage. As demonstrated in this deal, blackness is diluted. The question that follows then is, can one then interpret this deal as empowerment? As it is stands, Perskor was not going to provide any financial
help since Kagiso had to share in the running costs. The striking points of the deal became evident when the head of Kagiso, Eric Molobi commented:

we will not be involved in the day-to-day management. That is recipe for chaos. We must leave the management to do what they do best. We can’t just tell them what to do; we must learn to understand the business and from there develop a strategy for change (Mail & Guardian, 30 August September 1996: B2).

Molobi’s comment underlined the submissive role that Kagiso would play in the deal. The fact that they were going to leave management entirely in Perskor’s hands is questionable. Within Madi’s traditional approach this is part of the unchanging policies or institutional barriers, which resist change. Thus, although blacks or empowerment companies are brought on board, they are, as Madi (1997) concluded, used for public relations purposes rather than as contributors to the company.

While this deal has been widely interpreted as BEE (cf. Mabote, 1996; Grové, 1996; Tomaselli, 1997), its nature as an economic strategy is obvious. Firstly, the fact that Kagiso was going to be a joint controller, seen in its 3 members joining other major shareholders, is very important. As a joint controller, they were supposed to be part of management involving Dagbreek Trust, Naspers and Rembrandt Group (Remgro) as major shareholders each holding 13%. Secondly, Perskor’s exclusive rights to use Kagiso trademark and name raised question marks. Thirdly, the restraint questions the aims and objectives of the deal.

As an economic strategy deal, the above factors show Perskor as benefiting from the transaction rather than Kagiso. That is, i) by being a joint shareholder, Kagiso was likely to relieve Perskor of
the economic burden which the latter was going through at that time, and ii) by using Kagiso’s trade mark and name Perskor was presumably going to change the public’s perception about itself, which would eventually open doors for it in the black market. This symbolises Madi’s (1997) black recruitment drive stage discussed in the traditional approach. Again, as earlier stated, Perskor had lost government printing contracts. It was through its involvement with Kagiso that these contracts could be retrieved. In other words, though having the plan and the productive capacity, Perskor had no contracts to realise them. The importance of branding is becoming evident in this scenario.

* Listed on the JSE

Fig.3: Kagiso after its merger with Perskor.

Source: Company’s annual Report

Apart from not being beneficial to Kagiso as a company, the deal achieved the opposite of BEE.
particularly job creation and SMMEs as key to empowerment process. Considering its history there
is high possibility that at the time of rationalising the majority of staff at Kagiso was black.\textsuperscript{30} This
implies therefore that blacks that were supposed to be empowered were now being retrenched. It
came as no surprise when Kagiso divested from print media into broadcasting by selling its 16.5%
state in Perskor group to Caxton in 1999. This came out of Perskor’s insistence on merging with
Caxton despite Kagiso’s disapproval. The merger brought the name change of Perskor to Caxton
Publishing and printers abbreviated only as Caxton. The incident brought Perskor’s dominant role in
the deal to light. In other words, on paper Kagiso was a joint controller, but technically it was not.
Though Kagiso was left with shares worth R42.3 million, it did not want to keep them. Furthermore,
Perskor scrapped the ‘agterskot’\textsuperscript{31} shares because they were not making profits. One wonders
whether there is anything empowering about this.

Looking at the deals above, one realises therefore that the older companies gain more than the ones
they are supposed to help. Instead, emerging companies’ progress is stifled as they are frustrated by
the deals, which they at first thought will help them. Hence, I call them economic strategy rather
than empowerment. If these deals were indeed empowerment driven, why did none of them help
these BEE groups reach a higher competitive level or advancement in Kieffer’s (1984) terms?
Instead, we saw the reversal or attempted reversals, which might indicate to us that there was
nothing smooth about them, thus creating doubts about Kieffer’s concept of advancement. This is

\textsuperscript{30} In terms of Business Report (1998, 24 February: 3), “the merger of Kagiso Publishers and Perskor has caused distress
among some employees who have accused Perskor of discrimination and the marginalisation of Kagiso employees. Of
the 33 retrenched employees, 22 were from Kagiso”.

\textsuperscript{31} ‘Agterskot’ shares are shares that were used during the purchase of Kagiso Publishers. Because of their affordability,
they were accessible for the majority of people including the historically disadvantaged groups. Therefore, they were a
further exemplified by NAIL, which because of low offers could not dispatch both the *Sowetan* and *New Nation* in 1997. Furthermore, Dynamo Investments sold back its stake to Naspers while Kagiso divested from print media into broadcasting, as already explained. To a certain extent, these reversal practices denote lack of commitment as espoused by Kieffer (1984).

Having seen the picture, it might seem that “empowerment is an intervention that inevitably distorts the market, as well as normal business principles” (*Business Map*, 1999: 12). In other words, through these massive deals placing BEE firms on the forefront, the impression is created that blacks were in full control of the market while the opposite occurred. Secondly, the fact that they were largely owners, rather than controllers, confirms the label of ‘capitalists without capital’ (*Business Map*, 1999). The inadequacies of the above deals as economic strategy rather than as being empowerment driven is also seen in their failure only to adhere to Kieffer’s three interlinked elements of advancement, incorporation and commitment. They also show the way in which ‘blackness’ disappears once the transaction comes into effect. Although some of the deals contributed to a certain extent towards the entry of empowerment players in the media industry as shareholders and operational controllers, the inability to entrust them with decision-making roles in some instances, undermined the process. *Business Map* makes this point clear by stating aptly that some of the empowerment partners were not truly equal partners because they were still exclusionary when coming to decision-making. Exclusion is part of the lack of commitment that characterized these post-apartheid deals.

As economic strategy, the incorporation in these deals should be viewed not as part of economic

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good step towards BEE.
advancement, but as representing sham empowerment. The deals can be interpreted as sham empowerment because, despite spatial growth or corporate extensions of these companies discussed below, BEE benefits less on the deals. This is manifested through the public relations role occupied by empowerment partners, the disappearance of blackness resulting in despair and despondency and the taking of decisions without involving empowerment partners. As Kieffer’s (1984) statement clearly articulates, there is little moral commitment on the part of these companies, which, instead of helping empowerment, pursue their own economic goals. The factors highlighted above demonstrate the accuracy of defining the deals as economic strategy.

The Nature of BEE Groups After Post-Apartheid Restructuring

This section analyses the nature of the BEE groups to emerge after the post-apartheid restructuring following some of the deals described above. Focus will also be on the role these companies played in empowerment initiatives following their entry in the media industry. Though it becomes extremely difficult to deal with some of these companies separately due to interlocking ownership and control, separating them is important for their closer analysis. This section deals with BEE firms and the way the market shaped them. Although focusing mainly on Kagiso media, Johnnic and NAIL, others will be used when the need arises in the discussion. The three companies selected in this section share a common history: they were all in industrial and financial sectors, but expanded into the media through what Sanchez-Tabernero (1993) calls downstream vertical integration. This happened when, instead of utilising its own skill for gradual development, a company bought into existing firms to achieve rapid growth in a particular sector.
Despite quick capital returns promised by downstream vertical integration, it is sometimes characterised by buying into struggling or 'tired' assets and overpayment (Sunday Times Business Times, 30 July 2000: 8). As an example, Perskor's performance was not impressive at the time of its transaction with KTI. This was confirmed by its amalgamation into Caxton two years later after the transaction with KTI. The problem of overpayment and buying into struggling or 'tired' assets appeared again when Primedia bought Ster-Kinekor for R1, 5 billion. It was widely suspected as overpayment, as the company's performance continued to flounder even after various strategies were devised to revive it, as shown in the next chapter (Sunday Times Business Times, 6 June 1999: 6).

The section below provides a picture of the companies after the restructuring and the aborted mergers discussed above.

From its inception in 1993, NAIL operated under the name Corporate Africa. It was the first black controlled company to be listed on the JSE, with its interests in financial services, media, information technology and industrial sectors making it one of the major conglomerates to emerge after apartheid. Fig. 2. reflects the company's group structure at the end of 1996. Again, it is interesting to note that through Metlife, NAIL has a 3.4% stake in Johnnic, confirming interpenetration of capital.
Fig.4: NAIL's Group Structure

Source: adapted from company's Annual report 1996

One deal that signified NAIL's entry into the media industry was the acquisition of 52% shares in the Sowetan, preceded by the taking over of the ailing New Nation. The following chronological incidents mark NAIL's highlights:

In 1996, NAIL joined NEC, which allowed it a stake in Johnnic- the investment arm of JCI. The
company could not wholly secure Johnnie due to the fact that Anglo-American wanted the deal to empower the majority of the community rather than further creating another conglomerate. As it was, NAIL was a highly concentrated corporation with interests expanding into other sectors as well.

It further acquired 27.4% stake in The African Bank. The company created N-shares, which were ordinary shares without voting powers. In the same year, Cyril Ramaphosa joined NAIL as deputy executive chairman. This move was commended in political circles as a real step towards economic empowerment. This move further lifted NAIL’s share price by 20% to R2.60. After the Johnnie deal was finalized with NEC, Ramaphosa went on to become the chairman. Apart from these portfolios, Ramaphosa held chairman positions in TML, Molopo Foods and acted for South African Breweries. The deal to sell Sowetoan and New Nation floundered due to a low offer of R89 million. New Nation died in 1997. The company increased its investment in Sowetoan to 95%, thereby owning it as its subsidiary. It granted several black controlled businesses to acquire approximately 7.4% in Naledi Jacaranda (Pty) Ltd. By 1998, the company was worth R4.6 billion on the JSE.

NAIL’s success as a BEE group was rocked by the internal squabbles in 1999, which saw the departure of Cyril Ramaphosa, and the R130 million-handshake scandal that eventually led to the departure of both Dr Nthato Motlana and his deputy executive Jony Sandler. These adversely affected NAIL’s share price, which dropped to R2.40. Another major restructuring at NAIL followed the scandal. The company unbundled African Merchant Bank (AMB) and Theta Group. NAIL was intending to have Metlife form part its two focussed divisions: New Africa Capital (NAC) and New African Media (NAM). NAC subsumed Metlife under Advocate Dikgang Moseneke32. This

32 Dikgang Moseneke has an impeccable record in the struggle as a member of Pan Africanist Congress (PAC) for which he was jailed in Robben Island for 10 years. Upon his release he served as PAC’s deputy president until he resigned to
division focused on financial services. Headed by Zwelakhe Sisulu, NAM was responsible for media assets (Sowetan, 4 August 1999: 21). This restructuring came with NAIL’s newly reformulated models, which the company had to follow as an empowerment group:

- The Board was to comprise persons with strong intellectual capital and other skills and was to be representative of South African society as a whole,
- There was to be the promotion of diversity within management, with key positions being held by persons with the right skills and a diverse range of backgrounds,
- There was to be promotion of increased participation by previously disadvantaged persons in the shareholder base of the company,
- There was to be a high level of training to develop the intellectual capital base for disadvantaged persons,
- There was to be a full implementation of employment equity recommendation,
- There was to be the promotion of empowerment through the company’s procurement and supply arrangement,
- The company was to conduct its operations in a socially responsible manner.

(Sowetan, 5 August 1999: 21)

Apart from these models, the company decided to get rid of the N-shares in a 12 month-period (Mosenke, 1999). In an attempt to attract international investors, NAIL restructured, resulting in the company adhering to international corporate governance standards based on the UK Combined Code, particularly on matters relating to performance and transparency. These elements ensured the shareholders of their investment security. The model has vital points which demonstrate the company’s commitment to empowerment during this period, in particular, the promotion of increased participation by previously disadvantaged persons in the shareholding base and the operation of the company in a socially responsible manner. Though difficult to imagine their

join the Independent Electoral Commission (IEC), where he was the deputy chairperson. After leaving the IEC,
implementation, they demonstrated signs of transformation within the company. The need to attract international investors and the adherence to the UK Combined Code on corporate governance reveal a gradual shift in empowerment as discussed in chapter 4.

There are few actions that reflect NAIL’s role in pursuing BEE. Apart from being a black company with more than 51% black ownership, NAIL introduced the N-shares in 1996. Although these shares were discontinued in 1999, they enabled many black people to participate in the economy for the first time. When NAIL became a sole owner of Sowetan, it left 5% to its staff. NAIL further helped emerging companies, namely, Nozala\(^{33}\), Siphumelele Investment and Tsvelopele Investments to acquire R470 million shares in Johnnic, a move that blocked another black company, Worldwide from acquiring more shares in Johnnic\(^{34}\). Despite strong empowerment status, the discontinuation of N-shares and the quest to attract international investors reveal the problems of institutionalising empowerment.

Established in 1993, Kagiso media was another company to have entered the media industry through buying into established corporations in 1997. The deal involved Kagiso media’s holding company, KTI’s acquisition of 53.7% of Primedia’s specialist media group, Publico. The deal resulted in Publico acquiring all KTI’s media assets while the latter bought control of Publico, which changed its name to Kagiso Media Holdings (Sunday Times Business Times, 14 September 1997). Kagiso media’s holding company, KTI, had interests in other sectors as well, for example motoring, food

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\(^{33}\) Moseneke assumed NAIL’s chairmanship.

\(^{34}\) Nozala is a women’s empowerment group with interests in various sectors such as media, hotels, food and catering. In 1996, Nozala had 6.5% in NEC and 10% in Newsshelf 71, a company with a 42.5% stake in Radio Jacaranda.

\(^{35}\) This was part of the initial agreement with Anglo-American to broaden empowerment by not allowing one company to
and building construction.

In 1996, Liberty Life invested R50 Million in Kagiso for development. In terms of the deal, the MD of Kagiso had to join the KTI board as a non-executive director. In its move to consolidate in the media industry, the following radio stations were acquired: Radio Oranje, East Coast Radio and Jacaranda FM. Jacaranda FM was purchased in May 1998 through the buying of a 100% shareholding in Naledi Jacaranda Investments. Kagiso media’s 83.5% share in its subsidiary, Nala Investment, gave it 50% of Butterworth publishers, a leading publisher in the fields of law, tax and accounting as shown in fig.5. The company also had 33.3% in Radmark, a radio advertising sales house. Radmark represents the group of radio stations to national and advertising agencies. Fig.5 further reflects Kagiso’s group structure at the end of 1998. The structure does not include KTI’s other operations such as Kagiso Financial Services (KFS), Kagiso Asset Management (KAM), Kagiso Equity Fund (KEF) and Kagiso Khulani Supervision (KKS), which were not included in the company’s merger with Perskor.

own more than 12.5% shares in Johnnic.
Kagiso’s educational publishing sector suffered heavily in 1998 due to the government’s cut in education expenditure. Kagiso’s role in empowerment can largely be investigated in its holding company, namely KTI. As mentioned earlier, Kagiso’s empowerment started through its social responsibility programmes. These included projects such as providing financially disabled students with bursaries to further their studies at tertiary institutions and other initiatives alluded to elsewhere in the discussion. Like all other first-generation empowerment companies, Kagiso’s further role in empowerment was limited to black governance and shareholding at the expense of job creation and social upliftment. Fig.6 reflects the company’s group structure after restructuring. It further demonstrates Kagiso’s disposal of controlling interest in OFM and the increment in Nala Investment.

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from the original 83.5% to 100%. This gave Kagiso a total control (100%) of Lalela Broadcasting, and the disposal of some of Persbel shares.

![Diagram of Kagiso Media Limited structure]

Johnnie was one of Anglo-American’s sell-offs to black business and the division was bought by NEC in a deal worth more than R1 billion. Fig. 7 reflects these organisations and their interests in Johnnie. When NEC bought Johnnie from Anglo-American, it was already a multi-sectorally or diagonally integrated company with interests in SAB, Toyota South Africa, Premier, Nethold and Johnnie Property. It is involved in the media through a 43% stake in Argus Holding, which, as
mentioned earlier, changed its name to Omni Media. The name change took place two years before Johnnic, its parent company was taken over by NEC in 1996. Omni Media had a 91.5% share of TML in September 1998, the year in which it intended to have it as its wholly-owned subsidiary. This decision was endorsed and by the end of 1998, Omni had 91.9% share of TML. At the time of restructuring the Argus group structure was as follows (see fig.8): 100% Argus newspapers (daily and weekly newspapers), 32% CNA Gallo Ltd (information and entertainment), 50% in CTP Holding Ltd (printing and community newspaper), 25% Maister Directories (directory and advertising), 18% Multichoice (subscription television), 36% TML (newspapers and magazine), 88% Hortors Ltd (printing and packaging), 80% Solhem Investment Holdings Ltd (printing inks manufacturers). The diagram (fig.8) reflects the company before the rigorous restructuring which saw the company focusing on infotainment. The diagram represents Johnnic as a highly integrated and deeply diversified group. Other interests not included in this diagram: SAB (13%) and The Premier group (27.8%). As an empowerment initiative, one needs to investigate the role that Johnnic played, and the changes it brought to its subsidiaries such as Omni media and TML in pursuit of BEE.

After the historic deal between NEC and Anglo American’s JCI, Cyril Ramaphosa was appointed the first black chairman of the company. The following dates mark the highlights of Johnnic’s calendar as a black-owned company:

Though the company lifted its earnings by 10% in 1998, it had a general disappointing year. One of the company’s core assets, Omni Media had its share earning plummeting by 2%. The company’s general share price was at that time trading at R35-40 after dropping from R74 in May. According
to the then Chairman, Cyril Ramaphosa, "the subdued performance of Johnnic could be attributed to the tough trading conditions experienced by SAB" (Natal Witness Business, 4 September 1998: 9).

Both the SAB and The Premier Group became the first targets of unbundling in the company's restructuring since they did not fit to its long-term plans of being a competitive role player in information and entertainment. This was despite SAB's outperforming other assets in 1996. Shortly before the deal, SAB had contributed R238 million of Johnnic's R430 million increase (Mercury Business Report, 29 August 1996). The company was for the first time feeling the wrath of market conditions with high interest rates payable to lending institutions. With its market share price dropped to its lowest level, Johnnic was finding it difficult to repay the loans that were used in purchasing it from Anglo-American.

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**Fig. 7: Johnnic Shareholders**

Source: Sowetan 1999, 26 November: 48

In an attempt to deal with its financial problems, Johnnic initiated a restructuring programme, which saw the unbundling of non-core assets such as the SAB, Metcash and Adcock Ingram, with the
company disposing of its direct interest in SAB to foreign investors for R1.5 billion in cash, pursuant to the brewery listing on the London Stock Exchange on 8 March 1999 (Circular to Shareholders, 1999). It was presumed that through this selling off, more capital would be raised.

Considering the state of the company at that time, the restructuring at Johnnic was not only justifiable, but also long overdue. Johnnic was intending to unbundle from a broad industrial holding company to a group with interests in media, entertainment and information technology. This was aimed at enabling Johnnic to compete in the global market in communication and was going to be achieved through refocusing on Omni Media as its subsidiary. To accomplish this, a 44.8% stake in Omni Media was further increased to 57.5%. At that time, Omni had the following interests: 46% in Caxton (printing and publishing group), 92% in TML, 33% in Millennium Entertainment Group (Mega), 24% in M-Net/Supersport, 33.4% in MIH Holdings (formerly Multichoice), 32% in M-Web (Internet company) and 30.4% in M-Cell which controls 29% of MTN (Sunday Times Business Times, 28 June 1998). A further 18.5% in MTN was acquired to give Johnnic effective control of the company (Sunday Times Business Times, 15 November 1998). To increase its interest in telecommunication, Johnnic entered into a share swap agreement with M-Cell, sole investor in MTN Holdings. In terms of the agreement, Johnnic disposed 67 500 000 ordinary shares in MTN to M-Cell in exchange for 204 352 240 M-Cell ordinary shares. According to Omni Chairman and Johnnic CE Bray Vaughan, “these interests make up what we would consider the core of Johnnic’s future structure. It is a strong base from which we can develop a very focussed company” (Sunday Times Business Times, 28 June 1998: 4).
In 1999, Paul Edwards’ arrival brought temporary relief to Johnnic, as some institutions (represented in fig.5.) that financed the Johnnic deal such as, Old Mutual, Standard Bank, Southern Life and Metlife extended their loan period. In some cases, however, consortium members agreed to turn over their shares to the relevant institutions if the share price had not risen to R70 or R80 by October/November 1999 (Sunday Times Business Times, 22 August 1999). Both Omni and TML participated in M-Net’s Phuthuma share scheme by divesting a portion of their shareholding and thus, making way for historically disadvantaged South Africans to own shares in M-Net in 1995. A second scheme, Phuthuma futhi was implemented in 1998, with further 10% of the company’s share, to the value of R112 million made to the historically disadvantaged people. TML was also involved in the training of its Business Day staff in Cape Town, a key element of BEE. Fig. 8. below captures Johnnic’s Group structure late 1999 and early in 2000, few months after Edwards’ arrival. Other important notes included: the name change of the company’s subsidiary, Omni Media to Johnnic Communication, the reduction of interest in and gradual separation of non-core assets from the company to confirm the focus towards information and entertainment often referred to as ‘infotainment’. While the changes above increase the leverage for a black company, they still continue to confine empowerment at the institutional level where only a few benefit. To the media, infotainment means the continual commercialization of the public sphere wherein the public’s interests are never taken into account. Issues of development will be ignored.
Fig. 8. Johnnie’s Group Structure


Note: Except where indicated, ownership is 100%.

TML’s merger with London-based Pearson to form Business Day Financial Mail (BDFM) is also shown in the diagram.

Conclusion

This chapter outlined the history and the development of the BEE initiative. What emerged from this chapter was an indication that empowerment is enforced, and that it is not new to South Africa.
as demonstrated by Afrikaner empowerment. While both Afrikaner and Black empowerment have somewhat striking similarities, it is appropriate to note the differences between them. Amongst the differences outlined were the nature of problems to which these initiatives responded and the level of government involvement in pursuing the initiatives. These differences set the two initiatives apart. Whilst Afrikaner empowerment had maximum support from government both through legislation and financial backup, black empowerment received government support mainly through legislation.

It is interesting to note that BEE took off the ground at a slower pace, similar to earlier Afrikaner empowerment, particularly in the North where problems such as lack of capital and entrepreneurial skills and coordination became major hurdles. However, it is interesting to note that BEE firms have grown rapidly despite difficult trading conditions. The next chapter examines whether this rapid growth is relative to their performance. The examination is done by subjecting BEE groups to economic analysis to measure the success of BEE since its inception. This issue brought it with the following important ideas about the media: i) they have become vehicles for profit as shown by the high demand by shareholders and ii) media has to be treated as an industry bound by certain industrial principles. In subjecting BEE firms to the economic principles, one will further be assessing how far these firms can sustain empowerment.
CHAPTER 3
AN ECONOMIC ANALYSIS OF BEE IN THE MEDIA

Introduction

This chapter offers an economic analysis of BEE media groups in order to understand the viability of empowerment initiatives following the corporate extension or spatial growth symbolised by the deals discussed in the previous chapter. This economic analysis is justified primarily by i) the institutionalisation of BEE as demonstrated by the transactions with non-empowerment groups and the importance of stock exchanges, ii) BEE’s aim to bring about an economic shift, iii) the way BEE firms operate in a closely contested market alongside non-empowerment groups, thus competing with them, and iv) BEE as economic institutions whose mode of operation is governed by general economic practices. These elements are not only reflected in the deals discussed in the study, but they have also dominated the general empowerment discussions.

Based on the way in which BEE firms entered the market, the analysis will be in two phases. The first phase is immediately after entry into the market following their external pressure-driven partnerships with historically white-owned companies. The second phase is the end-result of the restructuring process after the empowerment companies had experienced the nature of the market and some had their deals with historically white-owned companies reversed. Since the second phase is integrated with some of BEE firms’ rush for global markets, it will be brief, confined only to restructuring in an attempt to dispose of non-core assets. Though discussed briefly here, the second phase will be fully dealt with in the next chapter, especially the part involving global markets. Since
the commencement and the end of these phases are not uniform and are undergone by companies differently, they will be arranged by different restructuring periods in each company. This arrangement provides a clear picture of where each company undergoes the two phases.

The approach to this economic analysis will be based on Douglas Gomery's (1989) three levels of analysis comprising market structure, conduct, and performance. These levels deal with the relationship between media firms and the market in which BEE firms operate. To BEE firms, market structure denotes their position within the market, the kind of competition with which they are faced, the nature of regulation that brought them into existence and how this regulation continues to shape the way in which they operate.

Economic conduct has to do with how BEE firms, in their quest to survive, relate and react to each other and non-empowerment companies in the market. Since competition in media industries often takes different forms ranging from vertical integration to response to competitors' product policies, emphasis will be on BEE firms' responses to competitors. Covering price wars and predatory pricing, this response is influenced by the manner in which BEE firms entered the market. Therefore, the response will clarify some of the issues raised in the previous chapter regarding the commitment of historically white firms to empowerment. The response to competitors is clearly reflected in a number of cases randomly selected to demonstrate BEE companies' conduct and behaviour.

Performance can be described as the companies' ability to use and accumulate their resources. It is
the outcome of efficiency and the ability to use new technology as well (see also Picard, 1989). Performance, argues Albarran (1996: 5), demonstrates the indispensable "economic relationship of media producers to audience, advertisers and society". Within empowerment, performance is two-dimensional, involving economic and social elements (Kieffer, 1984). While economic performance looks at the threefold economic relationship of media, audience and advertisers within the market, the social dimension analyses the media within the context of society on matters pertaining to economic advancement, job creation and support for SMMEs.

Although the first level of economic structure was briefly dealt with in the previous chapter through naming and outlining the nature of BEE firms in the media industry, it will be expanded here to provide a foundation on which the companies' conduct and performance can be examined. Needless to mention that whatever the conduct a company displays (towards the market, audience, its counterparts and the society as a whole), depends on its power in the market. Since the market shapes the size of media firms, the chapter draws on Iosifides' (1997) criteria, namely, market share, market definition and consumption, licences, financial criterion and assets. Although not unique to media industries, these criteria fit accurately within media economics by linking size and conduct via relationships with consumers, seen in the way media conglomerates penetrate the audience. This shows how size and conduct can relate to each other.

Iosifides' (1997) criteria indicators are compatible with the empowerment theories used in this chapter particularly Kieffer's (1984), which posits that growth is key to empowerment. Again, Iosifides' criteria go further to investigate the way economic power determines conduct in the
market. This economic power is reflected in the conduct cases discussed later wherein, despite making deals with BEE firms, apartheid conglomerates continue to exercise their dominance over empowerment groups. So by analysing the number of licences a company has, the size of the audience reached and how much revenue a company draws in relation to the overall market, losifides’ criteria measure the level of media concentration within the industry. These criteria are applied to BEE groups to demonstrate their level of power and how that power affects BEE firms’ relationship with their competitors, thus reflecting Kieffer’s (1984) point about an inextricable link between conflict and growth as important in the struggle towards empowerment. The importance of these measures lies not simply in their ability to understand the sizes of media firms, but more importantly how BEE influences and is being influenced by the market, thus changing economic relations between the different media firms.

The measures are the indicators of the level of power exercised by companies in the market. Such power is not only economic, but it can also be translated into defining larger socio-economic and political relations. As Meier and Trapper (1998: 39) assert, “as the economic strength of the media conglomerates develops, their position in society at large increases. This means, therefore, that media conglomerates develop from merely economic factors into powerful institutions in society and eventually increase their political power”. The companies’ economic power can be seen in the way in which they sometimes influence the policies of the state. Thus the state sometimes has to change its policies and legislation in response to pressures from conglomerates. The media firms’ ability to challenge the policies of the state is exemplified by Kagiso media when it made a far-reaching submission through the National Association of Broadcasters (NAB) to Parliament in 1998. The
company expressed its views on the draft of the broadcasting policy and the proposed merger between the IBA and SATRA. Among the issues expressed by the company was the need to review existing ownership regulation to allow consolidation in the market and regular interference from some parliamentary bodies such as the Communication Department on ICASA’s35 activities, thus inhibiting on the regulator’s independence.

On the proposed merger between IBA and SATRA, the submission warned against the possible swamping of broadcasting interests by telecommunications once the merger takes place (Sunday Times Business Times, 23 April 2000). In other words, it was argued that once the merger became effective, the institution might concentrate on the telecommunication sector to the detriment of broadcasting. The concern was raised amidst the existing regulation gap in telecommunication, the raging third cellular licence fiasco and the looming second fixed line operator to compete with Telkom, which SATRA was unlikely to finalise before its merger with IBA. This consequently left these enormous responsibilities to the new merged institution. Kagiso media’s issues were raised prior to the conclusion of the IBA/SATRA merger, which was enmeshed in uncertainties regarding the time it would take to finalise it. As more time was spent on the merger, the progress of empowerment in broadcasting and telecommunication with regard to the two institutions attending to the industry’s problems was being delayed considerably. Despite little impact made by this submission in terms of changing policies, the action does actually demonstrate Kagiso media’s power, not only as a media institution, but through its status as an empowerment company as well.

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35 The Independent Communication Authority of South Africa (ICASA) was established following the merger between the IBA and SATRA in 2000. Since the events described in this study represent both the IBA/SATRA and ICASA period, the word regulator will be used to refer to the two institutions. Therefore, the two institutions will be used interchangeably.
This is seen both in the way Kagiso media took the lead in the submission and the centrality of the empowerment element in this submission.

The submission has to be understood within the context in which these issues are raised. Thus although Kagiso media had an expansionary vision, it could not succeed in pursuing the regulators without integrating this vision within empowerment discourse. Certainly, once more broadcasting licences were made available it was, based on its empowerment status, likely to acquire some of them. Therefore, size is quite key to media firms as it confers on them massive economic power, vital in and outside the market. Although Kagiso media’s action demonstrates the power and influence carried by empowerment in the industry, empowerment was always met with resistance. This is seen both in the way non-empowerment companies offer competition and the way in which regulation hinders empowerment companies to respond to this competition, as shown by ICASA’s refusal to grant BEE firms permission to change their shareholding structures.

As mentioned in the previous chapter, most of the BEE companies entered the media sector mainly through mergers and acquisitions. In the broadcasting sector this was also augmented by the new licences awarded to some of the BEE companies both in radio and television. The new licences were added when the SABC unbundled its radio division and then sold some of the stations to BEE companies as per ICASA’s instructions. So the ownership structures of BEE firms have to be understood in relation to this belated entry into the media industry facilitated by the processes above and the detailed restructuring discussed in Chapter 2. As discussed in chapter 2, the market was concentrated and already dominated by non-empowerment conglomerates such as Naspers, the.
SABC, Perskor and Caxton, who could not be simply overlooked by BEE groups. In other words, although BEE companies had the power to influence the market based on their empowerment status as made possible by legislation, the playing field was already shaped by these apartheid monopolies. Therefore, BEE firms somehow needed the history, assets, business and entrepreneurial skills possessed by non-empowerment companies to negotiate their entry into the market. On the other hand, non-empowerment conglomerates needed empowerment companies both as a licence to government contracts and in negotiating the pressure from government (Madi, 1993; 1997). This point further demonstrates the symbiotic relationship, which manifested itself as economic strategy discussed in the previous chapter.

Measuring the Size of BEE Firms

Through the process outlined above, BEE firms grew rapidly, becoming vertically integrated as measured hereunder by market consumption and definition, market share, financial criteria, licences and assets. Based on these criteria, the section examines whether the size exhibited by BEE firms has placed and advanced them strategically enough to sustain empowerment, given some of the issues raised above.

Market Definition and Consumption

Market definition relates to the area (geography) in which a company sells its product; and the service it offers in that area (Picard, 1989; Albarran, 1996). To BEE firms, this is significant in terms of analysing where their areas of operation are concentrated and the level of competition in that market. Market definition is also a critical element to the regulators since it gives them an
opportunity to see areas of the industry not responding to empowerment. The criticalness of market definition both in terms of geography and product in South Africa can be seen in decisions regarding licences, where a certain portion of the licences is specifically reserved for empowerment partners.

Although print remained a major investment for BEE firms in their first entry as seen through NAIL’s acquisition of the Sowetan and New Nation, Dynamo Investment in City Press, Johnnic’s massive newspapers administered by TML and other transactions involving print and publishing, radio broadcasting overtook it as the important vehicle for empowerment, particularly in the BEE companies’ second phase. Although no reason can be given to adequately explain this change, it can be attributed to the refocusing of business interests by BEE firms following their disastrous relationships with historically white-owned companies. However, despite some of the BEE firms (Johnnic Communications and NAIL) still operating their print assets, a substantial percentage, as represented by Makana Investments, Kagiso media, Thebe, MIC, UAM and NAIL, has invested in radio. Johnnic is gradually following the group as it has interests in Puntgesels radio and Classic FM. These companies’ broadcast assets are scattered throughout the different regional markets. The following serve as examples to distinguish the market in terms of geography and service. NAIL’s radio stations, Kaya, Jacaranda FM, KFM mainly operate in Gauteng. Makana Investments, on the other hand offers its radio services (P4) in Cape Town and Durban. It is within these varied markets that the companies define their goals. As illustrated in fig. 4, 5, 8, most of the BEE groups were multi-sectorally integrated with interest scattered in finances, communication and industrial sectors, thus attempting to service these markets.
Contrary to market definition, market consumption is an outcome of the commodification process. It is consumer-oriented because it deals with the actual number of consumers that are reached by a company’s products. It is measured in circulation or readership (newspaper), audience (TV), visitors (Internet) and listenership (radio). For empowerment, consumption indicates not only the market penetration of BEE firms, it further demonstrates consumer confidence and appreciation of products and content offered by BEE groups as illustrated in fig.9.

Although the audience figures below (fig.9) illustrate the penetration by empowerment companies into the radio sector, it is very important to clarify that the five stations in the top 10 measured by percentage in audiences were those unbundled by the SABC. Since they were operating in the market prior to the advent of BEE, their large audience base could not be squarely attributed to empowerment management. Of the new licences awarded to BEE groups, only UAM’s YFM featured in the ranking. The trend occurred even in the television sector where e-tv continued to trail behind the SABC, as the diagram demonstrates.
<table>
<thead>
<tr>
<th>Company</th>
<th>No. of Listeners/audience</th>
</tr>
</thead>
<tbody>
<tr>
<td>SABC Radio</td>
<td>20,579,000</td>
</tr>
<tr>
<td>SABC TV</td>
<td>26,067,000</td>
</tr>
<tr>
<td>e-TV</td>
<td>5,112,000</td>
</tr>
<tr>
<td>M-Net</td>
<td>2,671,000</td>
</tr>
<tr>
<td>YFM</td>
<td>772,000</td>
</tr>
<tr>
<td>Jacaranda</td>
<td>835,000</td>
</tr>
<tr>
<td>East Coast</td>
<td>762,000</td>
</tr>
<tr>
<td>Highveld Stereo</td>
<td>776,000</td>
</tr>
<tr>
<td>KFM</td>
<td>530,000</td>
</tr>
<tr>
<td>Kaya FM</td>
<td>356,000</td>
</tr>
<tr>
<td>702</td>
<td>257,000</td>
</tr>
<tr>
<td>OFM</td>
<td>295,000</td>
</tr>
<tr>
<td>Algoa</td>
<td>235,000</td>
</tr>
<tr>
<td>P4 (CT &amp; Durban)</td>
<td>250,000</td>
</tr>
<tr>
<td>Classic</td>
<td>122,000</td>
</tr>
<tr>
<td>Cape Talk</td>
<td>73,000</td>
</tr>
</tbody>
</table>

Fig. 9: Listenership/Audience Figures

Source: SAARF AMPS 2000A

Financial criteria

Financial criteria are the most obvious method for measuring media concentration (Iosifides, 1997).

The criteria focus on a company's total revenue or its annual turnover, which impacts on the industry's supply: the higher the turnover, the greater the market power. Since revenue in the media industry is largely obtained from advertising, advertising companies are interested in companies that will expose them to a largest possible audience. The strength of the company to attract advertisers,
therefore, lies in its ability to reach audiences in many varied ways (Picard, 1989). Outside of advertising, media industries also draw their revenues from subscriptions, licence fees and consumer expenditure. Consumer expenditure relates to the purchase of movie tickets, buying of newspapers and renting of videos.

Licences

The number of licences that a company has in one sector gives the picture of its size and the influence it has in that sector particularly in broadcasting. The IBA's resolution on broadcasting licences prohibits the control of more than one private television broadcasting licence. The same applies to both FM and AM radio where market geography is used to determine the granting of licences (see White Paper on Broadcasting Policy, 1995). Regulating media concentration by the number of licences owned is an attempt to equalise distribution of the limited frequencies available both in radio and television (IBA Triple Inquiry Report, 1995; White Paper on Broadcasting Policy, 1998). This is done to limit the concentration of media outlets in a few hands. Although the licences are issued to the different regional markets on first come first served basis, empowerment status has, since 1994, been the determining factor in decisions regarding the awarding of licences. Although this is important for the survival of empowerment by enforcing interactions between empowerment and non-empowerment companies, exemplified once again by e-tv/Rembrandt case, it has impacted on the way the partnerships between the two are forged, as discussed earlier.

Market share

Measuring the size of media conglomerates by market share is a very common method in the media
industry. This enables us, in terms of Gomery's (1989) approach, to understand the structure of the market itself, the nature and the level of dominance within and among companies. According to Iosifides (1996: 646), "large companies' sales and turnover may be the best indicator of their economic power and reveal their ability to gain market advantages compared to the rest". In other words, powerful firms can influence economic conduct, performance and pricing behaviours depending on their market share. Understanding a company's sales and turnover requires knowledge of the firm's ownership structure. Therefore, market share is an outcome of the company's ownership structure. Fig.4, 5 and 8 present the different ownership structures of the influential BEE media companies.

The market share of BEE firms can be calculated using the ownership structures represented in figures 4, 5 and 8. As figure 4 demonstrates, through its media interest the Sowetan, Kaya FM, (42.5%) Jacaranda FM, KFM, P4, Urban Brew, Radmark and (5%) MTN36 NAIL's turnover was calculated at approximately R10 billion. Through their investment in Jacaranda FM, Kaya FM, KFM, East Coast, Radio Algoa, OFM, P4, Kagiso media and NAIL held between them just over 60% of the total commercial radio. In print, the NAIL's Sowetan accounted for 29% of the daily readership (AMPS, 2000A- June). Naspers and Caxton had 16% and 12% respectively. With four titles, Johnnic's TML accounted for 9% of the market share (AMPS, 2000A- June). Johnnic's ownership in TML gives it 14 newspaper titles. In the broadcasting sector, Johnnic owns Classic FM, Summit TV and Puntgesels via its interest in signal distributor, Orbecom.

36 NAIL's ownership in MTN is via its 50.5% interest in Naftel. Stations such as P4, Jacaranda FM and Kaya are co-owned with other empowerment companies such as Kagiso media, Makana Investments and Thebe.
With only one channel, e-tv, Midi consortium was taking 7 to 8% of the total market share in television sector in 1999 (Sunday Times Business Times, 19 September 1999). As demonstrated later, the remaining figures in the broadcasting sector were accounted for by the SABC and M-Net. This low market penetration is further confirmed by e-tv’s R7 million advertising revenue that it generated in the same year.

The massive ownership structures exhibited above provided BEE firms with the leverage with which to pursue empowerment, seen in the way the dominance of conglomerates such as Naspers and Caxton have been reduced and diluted, particularly in print. However, the competition and continual threat posed by non- empowerment companies should not be overlooked. The competition from non-empowerment companies is seen when empowerment companies such as NAIL introduced N-shares. After realising that the system worked for NAIL and other BEE groups, non-empowerment companies, including the Afrikaans media group Naspers, followed suit. For some companies the system yielded positive results, principally because they managed to penetrate black shareholders. The positive result is seen in Naspers’ Phuthuma share scheme introduced through M-Net, which managed to attract about 30 000 N-shares shareholders who owned 126.9 million shares, each of which had one vote. It is interesting to note that when NAIL dropped the N-shares during its restructuring process in 1999, other companies considered this move (Sowetan Business, 6 August 1999).

The competition for empowerment is not only from historically white companies as demonstrated by continual imitation from other small BEE firms. This suggests that BEE was not only an
empowerment versus non-empowerment affair, but a contest involving other BEE firms as well. This is illustrated by, as Khoza confirms, "a lot of time spent by empowerment companies watching each other and chasing the same deals, or doing our damnedest to emulate what other empowerment groups have put together" (Sunday Times Business Times, 7 September 1997: 5). Inasmuch as imitation can be seen as a strategy for economic survival, it does not augur well for the future of the initiative because it fails to bring about individuality to empowerment.

Asset Value

It is through assets that a firm is able to create capital and exercise dominance in a particular market. Assets can be converted into cash at times. This is exemplified by the unbundling or asset stripping process during Johnnic's restructuring, thereby illustrating that assets have a cash value. The value of assets, which are acquired through mergers and acquisitions, determines the company's power in terms of capital, market capitalisation, economic conduct and so forth. In terms of assets, Johnnic, as a vertically integrated firm, is the leading figure of BEE. By the end of 1999, Johnnic was ranked 18th in South Africa in terms of assets, turnover, and taxed profits (Sunday Times Business Times, 14 November 1999). Apart from its ownership of other media assets, Johnnic owns both TML and Omni (which are in themselves conglomerates). In 1994, NAIL had a gross asset value of R843 million which rose to R37 billion in 1999. In addition to owning Metlife, Theta and AMB, the company also owns NAM and thus constitutes 38% of black business on the JSE. NAIL's 52% in Theta was unbundled during the company's restructuring towards the end of 1999 (The Natal Witness, 26 October 1999).
Although these assets demonstrate significant strides, considering the existence of BEE prior to 1994, the manner in which these were acquired remains key to BEE. Thus the fact that most of the BEE firms acquired their assets through lending institutions impacts on the consolidation of empowerment. Threats of retrieving these assets always existed where BEE firms remained behind in payment. This is demonstrated by Johnnic’s case and it creates uncertainties around empowerment.

Without doubt, as seen from the above, BEE companies have managed to grow in size. However, the economic problems faced by Johnnic discussed in chapter 2 relating to its debts, the inability of e-tv shareholders to sustain their investments, triggering a need for shareholding structure change, the financial losses experienced by 5 new radio licences owned by empowerment groups, and Kagiso media’s inability to pay dividends to its shareholders for two consecutive financial years (1998 and 1999), do not only explain the general conditions faced by empowerment companies in the market, but they also indicate the low level of capital shift in the media industry. As discussed later, the examples demonstrate that empowerment has not fully achieved its primary aim of creating capital within black hands. The interest-bearing loans paid by Johnnic to Standard Bank and Old Mutual is a further reflection of the concentration of capital in white hands. This also reveals that, despite their size, BEE firms have not fully entrenched themselves in a position from which they could advance real economic empowerment outside of severe competition from non-empowerment groups sharing the market with them. The criteria demonstrate a huge impact made by BEE firms since their entry into the market in terms of challenging the power of white-owned conglomerates, manifested in the total market share accounted by BEE firms, the number of licences owned by...
them, the economic value attached to their assets and significant consumer base created by BEE firms and their subsidiaries. Nonetheless, the problems highlight the fact that although empowerment as an initiative has enormously influenced and changed the media industry, the same can never be said about the companies pursuing it. The influences of empowerment can be seen in the way it is enforced by legislation, as manifested through the attachment of an empowerment component to new licences in the media industry. It is quite ironic that despite this empowerment influence, BEE firms continued to experience the problems highlighted by the measurement criteria above. This difference is further confirmed and reflected in the economic conduct examined below demonstrating how empowerment companies behave in the market. While the conduct further shows the impact of size on the market in terms of dealing with competition, the conduct cases demonstrate how BEE firms are resisted, their desperation for survival and the lack of capital. These problems can be traceable back to the pressure-driven mergers and acquisitions that brought empowerment into existence as discussed in chapter 2.

**Economic Conduct and Behaviour**

Economic conduct refers to how companies react to both the market and competitors. As defined by Gomery (1989: 49), “conduct directs attention to a firm’s external behaviour, both toward the market in general and toward specific rivals in particular”. Economic conduct covers the following major issues: product policies, pricing behaviours, research and innovation, advertising and responses to competitors (cf. Picard, 1989; Albarran, 1996). Although BEE consisted of certain types of organisations, the measurement criteria discussed above revealed that BEE groups were not operating in a market that was exclusively theirs, where they could pursue empowerment with
relative ease. It was, rather, a market already dominated by non-empowerment conglomerates such as Naspers, Perskor, Caxton, ING, the SABC and so forth, contesting and shaping it. Therefore, it is important to analyse the market structure, economic conduct and performance of BEE groups within the framework of the larger market, which will depict the intensity of competition that BEE firms face and how their behaviour is influenced in the process. In other words, competition amongst BEE firms, as well as with other non-empowerment groups, was part of this overarching market. The section below explores the conditions under which early BEE existed and whether their size described above influenced their road to real economic empowerment.

The conduct that companies exhibit both towards the market and each other is determined by amongst other things, the amount of economic power that they have, the level of competition in the market and the nature of regulation underlying their operation. The importance of regulation in shaping the companies’ conduct is manifested through the BEE companies’ rapid growth. This is demonstrated, firstly, by the way regulation allowed empowerment groups to be the major recipients of radio licences, including those sold by the SABC and how it secured the first free-to-air commercial television licence for an empowerment group. Secondly, the limit imposed on the number of broadcast stations that can be owned by one media firm as a way of guarding against concentration and anti-competitive practices indicates the role of regulation. Therefore, despite their empowerment status, BEE companies have had to adhere to the industrial rules like any other role-player within the media industry. In the media industry, competition is further intensified by the fact that they operate in the dual market wherein they create audiences and sell them to advertisers.
The complexities of economic conduct in the media industry in South Africa can be examined by mainly looking at how media companies try to woo advertisers by delivering particular markets of audiences or readers. The section hereunder critically examines some cases exhibiting aspects of economic conduct. The cases were randomly selected from different markets without any stratification. The first part will be to describe them without analysing their impact on empowerment. The cases further demonstrate economic conduct as an outcome of the market power derived from the companies’ size discussed in the previous section. Although size often plays an important role in terms of measuring the competitive power a company can wield in the market, the instability characterising BEE firms discussed above has shown that experience in the market is key in dealing with conduct. This relates to issues pertaining to how much competition can be offered in terms of costs, strategies and so forth. The importance of these factors in conduct is seen in the cases below where empowerment companies face the enormous experience of apartheid monopolies.

The cases further reflect economic strategy where empowerment versus non-empowerment conflict continues as represented in e-tv/SABC and M-Net and the Sunday World’s entry.

**Case 1: The emergence of the Sunday World**

This case of the Sunday World is an example of strategies using product policies and price wars.

Having been established in 1999, Sunday World is a joint venture of NAIL and Johnnic’s subsidiary, TML. “The Sunday World was aimed at the same wealthy black readership which Sunday Times is working to cultivate, which is attractive for advertisers” (Mail & Guardian, 5 March 1999: 4).

Shortly before the Sunday World entered the market, the following report appeared:

Naspers dropped its cover price on its Sunday newspaper, City Press for just one week. In an
aggressive marketing campaign, the newspaper launched a R1-million Lucky Bucks competition on Sunday. Mike Robertson, TML editor, was reportedly stopped by his board from cutting the cover price on the Sunday Times City Metro edition. He also stopped the Sunday World’s staff from gaining access to the Sunday Times picture archives and refused to take advertising from Sunday World. To add to this, Sunday Times beefed up its sports coverage, especially the soccer section and further launched a new consumer oriented investigation team. The paper further hired an African editor to increase news coverage of the continent. To entice new black readers, the Sunday Times introduced the readRight educational supplement (Mail & Guardian, 5 March 1999: 4).

What does this report reveal in terms of economic conduct? All these incidents were attempts, as Picard (1989:74) argues, “to keep potential competitors out of the market”. At the time at which the Sunday World was introduced, TML launched South Africa’s first daily sports paper, Sportsday, in an attempt to compete with NAIL’s Sowetan and Caxton’s Citizen.37

TML and Naspers’ unplanned cooperative action is an example of how conglomerates “frequently work together, especially when threatened from outside as in case of keeping out possible competitors” (Gomery, 1989:50). The relationship, explains Gomery (1989), lasts as long as it takes to reduce a threat to a market power. That TML’s Robertson responded in this way to a publication that is partly owned by TML’s stable reveals something about the contradictions of the marketplace and how individual firms react when faced with competition. Here, the TML allocative controllers imposed their will over the Sunday Times operational controllers who were concerned about the

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37 Sportsday’s cover price was the same as the Sowetan and 10c above the Citizen. However, due to difficult economic conditions relating to poor circulation, dismal advertising revenues and staff resignations, Sportsday was discontinued a few months later.

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immediate impact on one product within the TML stable. This case reiterates the distinction between ownership and control, which was discussed in chapter 2. Thus, though TML was black-owned through Johnnic, the people with the decisions and strategies remained controllers, as represented by Mike Robertson’s actions.

Case 2: The Arrival of Midi’s e-tv

Until the inauguration of e-tv in 1998, the television broadcasting sector’s market was practically without competition. The two powerhouses, the SABC and M-Net, operated in somewhat separate geographical markets, catering for the needs of different audiences. While the SABC was a free-to-air broadcaster, M-Net was a pay-station generating profit through subscriptions and advertising. As a result, there was little competition for audience between them. The lack of competition was further entrenched by the agreement between the SABC and M-Net, which permitted M-Net to collocate its own transmitters with the SABC’s and further rent or lease the corporation’s equipments when the need arose (De Beer, 1998).

Although M-Net was given permission to broadcast news, it had to avoid any direct competition with the SABC (De Beer, 1998). However, M-Net’s plan to broadcast news never materialised, due to the high costs associated with news production. The arrival of another free-to-air television station, e-tv, and the earlier privatisation of some of the SABC’s radio stations changed the face of the broadcasting landscape. The SABC was no longer the sole provider of news, as the private radio stations and e-tv added news to their schedules. Initially e-tv received a negative reception from the advertisers who were somewhat sceptical about its audience numbers. The rights to broadcast a
local draw-card, sport, was already dominated and shared by both M-Net and the SABC. While M-
Net continued with its broadcasting rights of rugby and international cricket, the SABC entrenched
its position in the local Premier Soccer League (PSL)\textsuperscript{38}. Previously, the SABC was reluctant to
spend a lot of money on the league. However, when e-tv discussed the possibility with the PSL of
screening the league’s matches upon the expiry of the SABC’s contract in 1999, the SABC reviewed
its spending policy on the league (see also \textit{Sunday Times Business Times}, 19 September 1999).
When the contract expired in 1999, the SABC renewed it by 100%. e-tv was also bidding for the
broadcasting rights for this league. Due to its precarious financial position, e-tv could not seriously
compete with the SABC at these high price ranges. After failing to secure the rights, e-tv settled for
the Europe’s UEFA (Union of European Football Associations) championship league.\textsuperscript{39}

Despite pressures generated by wars over sports screening, M-Net consolidated its position by
further scooping a long-term movie output deal with one of the world’s largest distributors of
programming, Warner Brothers International, in a transaction estimated at R390 million. This
happened amid speculation that Warner would not renew its contract with M-Net following its 20%
share in e-tv (\textit{Sunday Times Business Times}, 07 February 1999). The five-year deal barred the
showing of Warner’s new film productions on other local television channels. As its managing
director, Lazarus Zim confirmed, the deal

\begin{quote}
guarantees M-Net’s leading position in the South African television industry and reaffirms M-
Net’s continued status as one of only three television broadcasters in the world to have an
\end{quote}

\textsuperscript{38} The organisation administering the national league. This organisation holds the collective rights (TV and radio) of
all games played under its auspices.
\textsuperscript{39} This is a regional soccer competition contested by clubs finishing within the top 4 bracket in their respective
exclusive movie output deal with all the major studios, including Disney, Fox, Columbia/Sony, MGM, MCA/Universal, Paramount and Dreamworks (Sunday Times Business Times. 07 February 1999: 1).

The Warner Brothers International/M-Net case raises some questions about business conduct in relationships between TNCs and local media firms, particularly BEE firms. Since these questions relate to issues of globalization, I will examine them in the relevant chapter. As a way of further entrenching its position amid the presence of a new rival, M-Net also commissioned Sithengi, the South African International Film and Television market, to help in getting more local programmes to improve on its local content. Considering e-tv’s inability to meet the 20% local content requirements prescribed by the regulator due to financial reasons, M-Net viewed this as an opportunity to consolidate its audience penetration.

The above cases are examples of predatory pricing as a sign of market power. In this regard, prices are set to scare-off new competitors (Picard, 1989). Since there was no competition in the past in the broadcasting of sports, there was no need for both the SABC and M-Net to behave in the way they are doing at the moment. The changed sports broadcasting environment derived from the competition posed by e-tv shows that competition has turned out to be about price wars. In short, the SABC would not have increased its expenditure on rugby and cricket if no competition was looming on the horizon. Due to BEE firms’ failure to actively engage in price wars as a result of their lack of capital, apartheid monopolies consolidated their positions. The lack of capital suggests therefore that BEE firms will find it hard to survive in the presence of non-empowerment firms.
Case 3 (a): Naspers Establishes Beeld

When Perskor was going through a difficult period, the following happened:

The then Cape-based Nasionale Pers established a new daily newspaper in Johannesburg/Pretoria, an area that was dominated by Perskor called Beeld in 1965. This affected Perskor’s circulation figures in the area. As a result, Perskor had to close the two Pretoria-based, Hoofstal and Opgendblad. In an attempt to resist this action, Perskor bought the government created Citizen, which later proved to be profitable until taken over by Caxton in the late 1990s (Louw, 1993:175).

Case 3 (b): Caxton Sells to Naspers

Caxton\(^{40}\) group sold its business and titles in the Free State to Naspers and bought the latter’s interest in Pietersburg. The end result is that Caxton will operate in six provinces, which made it one of South Africa’s leading print-media groups. Caxton prints 32 weekly free sheets as well as the Citizen and the Sowetan. Caxton has already made large capital investments. The group has commissioned new newspaper facilities at a cost of R200 million, two web presses installed. The amount of R50 million has also been spent on Upgrading Republican press, R30 million on a new offset litho press for CTP Web in Cape Town and R35 Million at BM Web in Johannesburg (Sunday Times Business Times, 28 March 1999: 9).

Since these are not BEE related cases, my interest in them lies in the following:

- both Caxton (Perskor) and Naspers were leading powerhouses in the media in both publishing and distribution. As a result, their behaviour affected, and the laid the foundation for the larger sector in which BEE was to operate a few years later, especially case 3(a).

\(^{40}\) Caxton merged with Perskor group in 1999. Caxton’s assets included CTP and Penrose. As a result, CTP owned 74%
both Perskor and Naspers had at one stage taken part in black empowerment deals.

companies' behaviour in general is never static because competitors also change. Thus, in case 3(a), Perskor's rival was Naspers, but became a business partner in case 3(b).

how the number of competitors plays a role in the market by determining the level of competition. Apart from the two English press companies, namely Argus and SAAN, during the time of Case 3(a) in the 1970s, there were few media firms in South Africa. For Perskor and Naspers the economic fight between Cape and Transvaal Afrikaners over Afrikaner empowerment was still rampant. This made competition between them for the Afrikaner audience intense (Muller, 1987). Contrary to when Naspers and Perskor were amongst the leading four media conglomerates, the number of competitors has increased considerably, thus bringing with it new competitors and challenges in the market. This suggests, therefore, that the number of competitors determines the intensity of competition in the market.

case 3(b) demonstrates how companies deal with the problem of competition without being engaged in serious wars. Apart from explaining the significance of non-empowerment in terms of shaping the market, the case demonstrates the way companies reposition themselves in the presence of BEE.41

Case 4: Johnnic ditched by Transtel

This case relates to the bidding of the second fixed telephone licence. Transtel42, the telecommunication arm of Transnet, to take Johnnic off from the list of consortium partners

of Caxton publishers and printers (Sunday Times Business Times; 28 March: 9).

41 This swap deal involves the handing over of Naspers' Northern Review and Times to Caxton. With the exception of these regional newspapers, all other newspapers distributed in the area are national dailies and weeklies such as the Sowetan, The Star, Beeld, City Press and so on, published outside the region.

42 Transtel is a public company of which the South African government is the shareholder. Transtel is one of the eight divisions within Transnet. It oversees the telecommunication assets including Telkom. The formation of Transtet
preparing to oppose Telkom. Transtel was expecting to spend up to R800 million on expanding its network if the licence is allocated to it. While no reason was forwarded for this move, it was further suggested that a foreign partner could be brought on board to provide the expertise. Johnnic confirmed it had put its second fixed telephone network discussion on hold. It said it (Johnnic) was focussing instead on its restructuring into an ‘infotainment’ group, the first leg of which was almost complete (Sunday Times Business Times, 08 November 1999).

Contrary to Case 3, this case is empowerment-related not only because there is an empowerment giant involved, but also more importantly, because of the way it illuminates the relationship between the government’s Transnet and empowerment. Thus, the formation of Transnet and its related divisions in 1990, represents the government’s policy to intensify the deregulation process manifested through liberalisation, commercialisation and privatisation initiatives, as signified by the entry of Johnnic’s major shareholder, NEC and other empowerment entities in the media industry. The above incident took place at a time when Johnnic was facing financial difficulties as explained in chapter 2. The company was still indebted to the creditors (Standard Bank and Old Mutual) who financed the transfer from Anglo-American and JCI. Since it had no massive capital, Johnnic was ditched for the much sought-after global partner, which was likely to bring a financial injection. The above examples reveal how rival media firms practice economic opportunism by capitalising on the lack of finance in other companies to consolidate their power in the market.

In dealing with competitors, economic conduct also involves recruiting staff from rival firms. It is believed in the industry that when editors/managers leave one media firm for another, they carry with them a certain percentage of the readership or audience. In an attempt to expand their represents the government’s policy towards commercialisation.
consumer base, media firms bring on board reputable individuals from rival groups exemplified by the *Sunday World*’s recruitment of *Sunday Times*’ Fred Khumalo as editor, and Bongani Kheswa as General Manager. The rifts between the two newspapers can be attributed to these poaching practices. Despite showing the courage to offer competition as demonstrated by this poaching practice, the lack of capital prevents BEE firms from doing so. Furthermore, the resignation that follows this practice illustrates the importance of the necessary experience when engaging in price wars and the greed characterising some BEE firms as indicated earlier. Thus, instead of training staff as part of empowerment, some companies opt for a shorter way of maximizing profit.

Poaching practices also became evident when the SABC failed to reach an agreement with the popular *Felicia Mabuza-Suttle Show* in early 2000. e-tv responded quickly and took the show into its stable. Knowing that the show was rated 7th together with the SABC’s soapie *Generations*, e-tv thought of this as a chance to take some of the SABC’s audience (see AMPS, June 1999).

Through engagement in price wars, as illustrated by the cases above, a company is able to make its mark in the industry, thereby consolidating its market power. However, price wars have to be accompanied and complemented by aggressive marketing strategies. On the other hand, price wars have their downside as well. In particular, when firms engage in price wars, competition, and strategic alliances as in the case of *Sportsday*, they often underestimate the market. This is because of the following: i) some of the firms take part in exorbitant deals, which are beyond their financial means evidenced by predatory pricing or alternatively lessen the value and the price of the products.

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43 Fred Khumalo left *Sunday World* late in 1999 citing opposition to his strategies as reasons for his resignation.
below their marginal costs as evidenced by City Press’s case. This is done in an attempt to scare or harm potential competitors as shown by cases 1 and 2 involving the SABC/PSL and City Press/Sunday World respectively; ii) others merge with inappropriate partners in an attempt to maximise profit by lessening competition; iii) others are disabled and constrained by their limited capital means as exemplified by e-tv’s case until early 2000 at which point it was permitted by the IBA to restructure its holding structure, and iv) others still do not want to engage in price wars, as exemplified by the Caxton/Naspers case.

Although responding to competition or market rivalry is key to the survival of media firms, it is not the only way in which media firms exhibit their conduct. As seen in the case below, sometimes companies are required to use strategies, which respond to the changing behaviour of the consumers.

**Case 5: Ster-Kinekor Reduces Ticket Prices**

The relevance of this case lies in the fact that Ster-Kinekor’s holding company, Primedia, is an empowerment-influenced company.\(^44\) This follows 10% ownership by COSATU’s MIC.

Early in January 2000, Primedia’s Ster-Kinekor reduced its ticket prices from R25 to R18. The reduction excluded 8pm shows on Fridays and Saturdays. According to its Chief entertainment officer, Tom Cook, “the move was part of Ster-Kinekor’s drive to make movies accessible to more people and provide better value in South Africa. We want to develop a culture of movie-going in this country”. Ster-Kinekor said the average person saw a movie six times a year and that only 20% of the population went to the movies regularly. Apart from lower pricing, plans to increase viewership include the introduction of movies to rural audiences. Attendances in

\(^{44}\) This is a BusinessMap distinction, which refers to a company with a sizeable black shareholder base typically over 5%.
the 1999 financial year were lower than expected (*Sunday Times Business Times* 2000, 16 January: 3).

Contrary to the previous cases, the Ster-Kinekor case is different to situations where a company sets the price based on the amount of profit in return (target return) and when it sets the price based upon the market forces (demand-oriented pricing) (Picard, 1989). Thus, i) Ster-Kinekor’s action is not a reaction to its main competitor, Nu-Metro. Demand-oriented pricing is premised on the idea that price impacts on the quantity of goods demanded by consumers. ii) Ster-Kinekor wants to reach a certain percentage of the consumers as they “want a new pricing to attract an extra 5% within six months” (*Sunday Times Business Times*, 16 January, 2000: 3). Contrary to demand-oriented pricing, the success of target return pricing depends largely on the action taken and the strategies to promote it. It is important to note that, like demand-oriented pricing, target return pricing depends on the behaviour of the consumers and competitors alike, and therefore does not guarantee success. Thus, although a company can set a target for itself over a period of time, it requires the consumers’ actions to achieve this target. These actions have to do with pricing matters, value, utilization and consumer choices within the market. The significance of these factors was confirmed by Ster-Kinekor’s financial results released later (see fig.10). For BEE, the successful target return is important for measuring its performance on short, medium and long terms.

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This percentage gives black shareholders the opportunity to make decisions without having control.
Ster-Kinekor’s case also demonstrates what can be referred to as elasticity of demand (Albarran, 1996; Webster et al, 1998), which is grounded on the assumption that any price change automatically results in an increase in quantity demanded by consumers (Albarran, 1996). As much as price plays an important role in changing the consumer behaviour in the market, as explained by elastic demand, sometimes the opposite occurs. In a situation where the reduction in prices does not affect the consumer behaviour (fig.10), inelastic demand occurs. This conclusion is drawn from the continued decrease in audiences despite the price slash. Due to this unchanging situation, the company decided to sell and close some of its special magazines and its music division, Primedia music (Sunday Times Business Times, 24 September 2000: 4). The diagram (fig.10) demonstrates the company’s share performance after a positive start in the early part of 1998. The continual downside, despite the price reduction, in my view, reflects that though price still remains a critical
factor, it is also important to look at other factors or products that might be contributing towards these low turnouts at the movies. These factors which exist both within and outside the movie industry (Albarran, 1996).

Having analysed these cases, the question remains: what do they reveal about empowerment? These conduct cases once again demonstrate the shortcomings of external pressure-driven deals that were discussed in chapter 2, which turned out to be economic strategy. The shortcomings are not only reflected in the way that non-empowerment companies offer competition to BEE firms and the latter’s lack of capital, but also in the way in which non-empowerment companies opportunistically capitalise on the lack of experience within many BEE firms. This is done despite their earlier intentions to support empowerment, as demonstrated by the deals and the broadening of their shareholding base to accommodate disadvantaged groups. The persistent lack of capital results in BEE firms merging or acquiring assets in a desperate move to survive. As a societally-inclined initiative, BEE is expected to flourish alongside the conduct and behaviour exhibited above. Given the above discussion, it has become apparent that, as an extension of economic strategy for non-empowerment firms, these conducts do not benefit BEE. This is seen in the way in which BEE firms are constantly ditched, are sometimes indifferently received by their competitors and face regular cooperative strategies by non-empowerment companies to counteract them. Thus suggests that there was no commitment to the much-celebrated transactions in chapter 2.

As these conducts are exhibited, one begins to wonder about the place of regulation in protecting empowerment as an initiative and the firms pursuing it, given that the current regulatory framework...
facilitated its introduction. The industry-specific regulator has a number of roles to play: the administration of the statutory scheme for granting and renewing of licences, service provision, including coverage obligation, ownership and control compliance, code of conduct compliance and general enforcement of regulatory requirements. Although the current regulatory framework has succeeded in terms of bringing more role-players in the industry, particularly from disadvantaged groups, it seems that it has not done enough in terms of levelling the playing field and constantly monitoring the behaviour of existing monopolies to ensure that emerging firms are protected. As seen in some of these cases (see cases 2 and 4), it seems that the winners are still apartheid monopolies because of their large capital base. Whether responding to demand, target return, competition or to the industry in general, capital is required for further development. In other words, due to the laxity on the part of regulation to curb opportunistic practices, BEE is struggling.

The above scenario describes the conditions under which BEE firms operate. Despite the sizes measured by the assets, licences, market share and so forth, BEE firms still meet with stiff resistance from non-empowerment companies. This was confirmed by the conduct and behaviour exhibited above, where they are hindered by lack of capital. The section below examines how the conditions impacted on their performance. While the conduct displayed by non-empowerment companies indicates the strides made by empowerment firms in terms of changing the face of the industry, it is also vital to examine the relationship between this size and performance. This is based on the idea that as much as size, measured by assets, market share, audiences, is important it cannot be directly translated into good performance that guarantees economic advancement.
facilitated its introduction. The industry-specific regulator has a number of roles to play: the administration of the statutory scheme for granting and renewing of licences, service provision, including coverage obligation, ownership and control compliance, code of conduct compliance and general enforcement of regulatory requirements. Although the current regulatory framework has succeeded in terms of bringing more role-players in the industry, particularly from disadvantaged groups, it seems that it has not done enough in terms of levelling the playing field and constantly monitoring the behaviour of existing monopolies to ensure that emerging firms are protected. As seen in some of these cases (see cases 2 and 4), it seems that the winners are still apartheid monopolies because of their large capital base. Whether responding to demand, target return, competition or to the industry in general, capital is required for further development. In other words, due to the laxity on the part of regulation to curb opportunistic practices, BEE is struggling.

The above scenario describes the conditions under which BEE firms operate. Despite the sizes measured by the assets, licences, market share and so forth, BEE firms still meet with stiff resistance from non-empowerment companies. This was confirmed by the conduct and behaviour exhibited above, where they are hindered by lack of capital. The section below examines how the conditions impacted on their performance. While the conduct displayed by non-empowerment companies indicates the strides made by empowerment firms in terms of changing the face of the industry, it is also vital to examine the relationship between this size and performance. This is based on the idea that as much as size, measured by assets, market share, audiences, is important it cannot be directly translated into good performance that guarantees economic advancement.
Performance

Based on the size of BEE firms measured in the previous section and the conduct and behaviour discussed above, this section analyses the performance of BEE groups. The performance is evaluated to determine whether the transactions, size and conduct above have, as part of Kieffer’s (1984) incorporation, brought about economic advancement. Within this suggests that performance is viewed as an outcome of cooperative strategies engaged by both empowerment and non-empowerment companies in their quest to bring about economic change and respond to external pressure. As a process of mentoring, support and intensive engagement in socio-economic struggle to overcome social or institutional barriers to economic parity, advancement deals with the BEE companies' performance as a test for empowerment. Within BEE as a broader process, performance takes economic and social forms.

Economic performance addresses questions relating to the company’s stability in the market and the way it conducts its business. With regard to empowerment, economic performance is a sign of advancement, therefore bodes well for the initiative. As a sign of progress, economic performance is an important indicator of how consistently media companies create and use capital to the satisfaction of the consumers, thereby attracting investors. Whether pursuing BEE or not, a company has to do well in order to remain in the market. Therefore, it is the ability of the BEE firms to remain in the market that measures the degree of success for the initiative. The degree of success has to be seen through the companies’ market performance.

Social performance on the other hand, is an end-result of institutionalisation above where the profit
generated through shareholding and stock exchanges is used in job creation and social development.

In this regard, the performance of BEE as an initiative and the companies pursuing it, will be
evaluated by the meaningful role they played in changing management structures to allow
historically disadvantaged groups to make decisions within these companies and also serving as
vehicles for capital creation. This is to ensure that empowerment fosters and increases the
integration of BEE firms into the mainstream economy, rather than serving as a vehicle for debt
accumulation.

Drawing from Kieffer's (1984) concept of advancement, this section aims to show contrasting
performance periods by BEE companies upon their entry into the market and during their
restructuring period which resulted in some of them rushing for global markets. Both the
companies’ economic and social performances explain whether or not BEE was on the right track.

**Economic Performance**

The economic performance of a company is judged on three intertwined factors, namely: efficiency,
use of new technologies, and distribution of its products (cf. Gomery, 1989). These factors are seen
through financial and consumer-oriented indicators reflecting the general perception by investors
and consumers alike. Financial indicators comprise cash flows and share indexes. Contrary to the
financial indicators, consumer-oriented indicators deal with responses from the actual users of the
media. These indicators include, primarily, viewers, listeners, readers, visitors and subscribers.

A firm’s potential to expand and grow is determined by its ability to generate and save capital.
attributable to the type of technology that it uses (Picard, 1989). As seen in the economic indicators of BEE groups in their first phase analysed below, economic performance is a sign of economic growth and sustainability. These are important factors in attracting investment. For empowerment in particular, economic performance is a reflection of the success in bringing about capital shift or economic change. However, the fluctuation of share indexes is a demonstration of performance as a process susceptible to a variety of factors as shown later. Financial indicators discussed below are cash flows and share price.

**Cash flows**

Cash flows, or the movement of money in and out of the corporation over a period of time, are indicators of profitability or the lack of it. This is because cash flows relate to how much a company spends and accumulates in return. "The general efficiency of a firm is displayed by its operating profit margins which indicate the firm's profit as a percent of sales before accounting for interest payments and taxes" (Picard, 1989: 88). As a reliable means of tracking the economic performance of media firms, this criterion is also applied by the *Sunday Times Business Times* in ranking South African companies over a period of time. The criterion employs indicators such as turnover, market capitalisation, taxed profits and return on capital.

The chronological analysis of BEE groups illustrated how some accumulated far less than they had spent on their assets. When NEC bought into Johnnie, it was expecting to accumulate profit in the short-term as seen by its borrowing of huge loans. After the market crash of 1998, resulting from the Asian crisis (see fig.11), the cash-in-flow slowed considerably. In its first phase, for the 9 months
ending 31 March 1999, Johnnic spent R3 490.5 million acquiring subsidiaries, including increasing its stake in Omni Media to gain control of TML. In return, it (Johnnic) managed to get an income from subsidiaries of R230.6 million (Company's *Annual Report*, 1999). These figures represent a major loss, considering the amount and taxation used in acquiring these subsidiaries. With its market capitalisation of R3649 million, Johnnic stood at 42 on the JSE rankings. Its subsidiary, Omni, was ranked at 56 for its capitalisation of R2474 million (*Sunday Times Business Times*, 14 November 1999: 14). Johnnic was still under pressure to pay back the huge loans obtained for acquiring the company from Anglo-American. Some investors\(^\text{45}\), including NAIL, were also threatening to pull out their investment if no improvement was shown (*Sunday Times Business Times*, 22 August 1999). In a nutshell, these developments do not present Johnnic’s economic performance in its first phase as impressive enough compared to its BEE aspirations. Therefore, this does not portend well for economic advancement both for the company itself and empowerment in general. In other words, the debts arising from loans and the negative income reflected by its low rankings are indicative of the fact that though Johnnic is a black company, it has not, up to this point, brought about the shift required to economically advance its shareholders as historically disadvantaged groups.

Johnnic’s second phase commenced with the restructuring that brought a focus on ‘infotainment’, achieved by increasing the company’s stake in Omni Media, the unbundling of some assets, and the arrival of new CEO Paul Edwards in August 1999. Besides improving on the share price, as an indicator of investor confidence, the pressure from financial institutions decreased as confirmed by

\(^{45}\) NAIL’s investment in Johnnic was both through NEC and its ownership of Metlife. Other institutions involved in the Johnnic deal included Old Mutual, Standard Bank and Southern Life (*Sunday Times Business Times*, 22 August 1999).
the share price later. This demonstrates that profit is a result of various processes of which unbundling, mergers and acquisition are part.

The Johnnic episode was an early high-profile example of the problems that were to beset empowerment initiatives in the South African media. It reveals how the lack of capital continues to inhibit the empowerment initiative, thus impacting on the companies' performance on their road to economic advancement. Just as Johnnic was plugging the gaps in its BEE strategies, the trade union-linked Midi consortium had a problem in maintaining e-tv after setting the station up in 1998. This came about when minority shareholders, in particular trade union movements, had difficulty paying for their shares (Kobokoane, 1999). As a result, the station was unable to meet monthly expenditure of R15 million from advertising revenue that totalled only R7 million (Sunday Times Business Times, 19 September 1999: 4).

By mid-1999, the station had captured a relatively low percentage, roughly between 7 and 8, of the market dominated by the SABC and M-Net. This forced e-tv to streamline its management structure. In addition, the station was also struggling to meet the 20% local content quota demanded in its free-to-air licence condition. A few months later, e-tv was involved in a legal battle with Sprochets Productions over the latter's 'deadtime' programmes that were alleged to have never been paid for by e-tv. Sprochets Production was applying for e-tv's liquidation (Natal Witness, 4 November 1999: 2). Based on the imbalance between total expenditure and revenue, Midi e-tv's economic performance was not satisfactory.
Kagiso’s first phase started with the Perskor deal that brought it into the media sector. The end of the relationship led to the redirection of its interest into broadcasting and marked the beginning of the second phase. As with other cases of first-generation empowerment groups, Kagiso’s initial cash flow was not impressive, as illustrated by lack of earnings accruing from its investment including those held by Perskor. No dividends were paid out at the end of the 1998 financial year. This affected shareholders, who probably expected some profit from their investment. The second phase showed improvements due to the capital generated from the Caxton/Perskor merger. Consequently, the company remained debt free and had some financial reserves. However, Kagiso’s continual withholding of dividends remained critical and therefore impacted negatively on economic advancement as discussed earlier in the chapter.

As its *Annual Report* (1997) confirmed, NAIL used more than R1 607 083 million in 1997. This expenditure was in contrast to R299 574 million in 1996 used for financing and investing activities. At the end of its financial year, it received a cash injection of R186 025, a sum far less than the R5 715 million it accumulated in 1996. With this negative performance compounded by its market capitalisation of R3698 million in 1997, the company was running at a loss if one considers the amount used for financing and investing activities. Hence it was ranked 40th.

**Share price**

Share price is “the prevailing market price of a unit of the company’s equity capital that is traded on the stock exchange” (Mohr, 1998:188). For empowerment, the share price, as mentioned earlier, is

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46 As demonstrated earlier, e-tv failed to secure the PSL deal which would have allowed it to broadcast its matches, thereby increasing its audience support base. The deal was salvaged by the SABC.
significant in terms of demonstrating the investors' confidence in BEE firms. Picard (1989) distinguishes between common and preferred stock. While the preferred stock, according to him, has no voting rights, the common stock is the largest category with voting powers. In South Africa, common stock can be equated to ordinary shares, which are divided into N-shares and A-shares. Contrary to N-shares, A-shares have voting powers. The majority of the BEE groups' share base comprised ordinary N-shareholders. These are people who want a better return on capital, but they have no voting or decision-making powers within the company. While N-shares are vital for increasing the participation of blacks as shareholders, they also impact negatively on empowerment as it continues to reflect a lack of control and decision making by historically disadvantaged people in these companies. The lack of control indicates, to a certain extent, the absence of meaningful empowerment and economic change brought by these arrangements.

Share price is an important indicator for two reasons. Firstly, it gives new investors a picture of the company's performance over a period of time. For established shareholders, share price stability ensures them of their stocks' security. Secondly, share price gives an impression of how the company is valued by investors. "The price at which investors are willing to purchase shares of a company", writes Picard (1989: 88), "is influenced by the company's financial position as well as market trends, technological developments, general economic developments, and stability within the company". In sum, the share price can change due to a variety of reasons. The first is a share's relation to the macroeconomic factors as illustrated by diagrams fig.11 and 12 below. Since the 1998 Asian contagion, South Africa's economy experienced a considerable slump, as was demonstrated by the weakening of the rand against major world currencies. BEE groups were
hardest hit as some of them still had to grapple with high interest rates emanating from their loans.

![Graph showing financial and industrial index with a significant drop in 1998.]

Fig. 11. Mews Index vs Financial and Industrial Index

Source: Sunday Times Business Times, 24 September 2000, p. 4

Financial and industrial Index
Media index

The diagram illustrates how the market crash of 1998 impacted heavily on all sectors of the economy and how the share price is affected by external factors. In comparison to other sectors, the media appears to be more affected. The difference in impact can be attributed to the media's reliance on these sectors for economic survival. Thus, as other sectors crumble, advertising expenditure is severely affected, thus impacting negatively on advertising revenues for media firms. Though other sectors recovered considerably towards the end of 1999, the media sector did not follow to the same extent.

A second factor that can positively or negatively impact on the share price is a company's mode of operation: uncertainty as a result of internal friction, scandals, changes, and mismanagement affect

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the share price immensely (Picard, 1989). In May 1999, NAIL's share price fell because of two events, namely: Ramaphosa's resignation and the R130 million equity option scandal, resulting in the departure of both Motlana and Sandler (see fig.12). As had occurred when Ramaphosa joined NAIL in 1996, positive sentiments also affect the share price as they bring confidence to shareholders (cf. Sunday Times Business Times, 21 February 1999).

![Share price daily, daily (cents)](image)

**Fig.12: New Africa Investment Limited**

*Source: Sunday Times Business Times, 24 September 2000. 4*

The same occurred when Phillip Edwards, with his reputation and proven track record joined the struggling Johnnic early in 1999.
Relative to the first phase, the second phase of empowerment shows some improvement, demonstrated by a 20% average share performance. This could presumably be attributed to their ability to secure government contracts and refocus their operations. Johnnic headed the economic performance list in terms of market capitalisation of R3649 million. The company’s share price traded at R52.00. NAIL, on the other hand, was up by 73% (R3698 million worth of market capitalisation) approximately 3% of the JSE’s total capitalisation. Its share price was R3.60. Though further improvement was expected, the general economic conditions coupled with high interest rates forced a market downturn that affected empowerment companies adversely.

The following price shares of BEE groups give a picture of how they performed in 1999:

<table>
<thead>
<tr>
<th>Year Period</th>
<th>March/April</th>
<th>August</th>
<th>October</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johnnic</td>
<td>R34.42</td>
<td>R43</td>
<td>R40</td>
</tr>
<tr>
<td>NAIL</td>
<td>R4.30</td>
<td>R4.20</td>
<td>R2.65</td>
</tr>
<tr>
<td>Kagiso</td>
<td>R3.20</td>
<td>R3.25</td>
<td>R2.20</td>
</tr>
</tbody>
</table>

Fig. 13: BEE firms periodical share price

Audience (Consumer) Ratings

Though the term ‘audience’ is confined generally to television, it will be used here to collectively include readership (newspapers) and listenership (radio). Audience fluctuation over a given period of time indicates the economic performance of the media firm. Although the use of audience ratings as an economic performance indicator is problematic, it has proved to be a helpful financial criterion. This is because, apart from purchasing media products, the audience has become a commodity, which is created and sold to advertisers. For empowerment this
criterion also measures the level of market penetration by BEE firms in a market that was once contested along racial lines.

The importance of the audience as a financial indicator to judge economic performance is seen in the centrality of SAARF\textsuperscript{47} to the media industry. The organisation has not only centralised audience measurement, through its product such as All Media Product Survey (AMPS), it has further provided credible reports of how much audiences can be reached, their profile and where they can be reached and eventually sold to the advertisers. The fluctuation of audience numbers can be attributed to a variety of reasons; therefore, its decreases cannot be squarely put on the company’s management. As research reports and literature (cf. Wentworth & Ryan, 1999; Picard, 1989) indicate, consumers prefer one media form for a certain period, only to lose interest later depending on the availability of substitutable products in other markets. This tendency was clearly illustrated by Ster-Kinekor’s case discussed earlier. This demonstrated that audience interest is unpredictable and therefore, not simply changed by vigorous marketing strategies and price reduction. Other factors responsible for the decrease of media consumers relate to unemployment and inflation. Inflation usually leads to an increase in the price of goods. In the media industry this price increase is reflected through an increase of cover price. In television this occurs through an increase in subscription fees and prices for video rentals. Another important reason attributable to audience fluctuation is cross elasticity of demand or how the availability of other products in different markets affects the behaviour of the consumers (Albarran, 1996).

\textsuperscript{47} SAARF was formed in 1974 to provide data about the use of the mass media, and about the consumption of products and services by users of mass media. Amongst the products offered by SAARF were research surveys on AMPs, RAMS AND TAMS. The institution is financed through an annual endowment from the Marketing Industry Trust (MIT), financed via an industry levy on advertising expenditure. The levy is collected by media owners on behalf of the industry. SAARF is managed by the Board representing different media organisations and associations including, the SABC, AAA, ASOM, Cinemark, MDC, NAB, OAASA and PMSA.
According to ABC figures for July-December 1999, *City Press* sold a weekly average of 323 612 copies, an increase on the average sale of 293 258 copies for the January-June period in the same year. This shows a total increase of 37.4% as compared to the same period in 1998, which was at 266 717 in January-December 1996. The interest in these figures lies in the fact that the lowest sales volumes occurred while the newspaper was still operationally controlled by Dynamo Investments. The sales for 1999 therefore occurred after Dynamo Investments had sold its stake back to Naspers. Though this can be attributed to the change of management style, influences like population density, lifestyle and literacy levels in South Africa cannot be ruled out. The rise in copies sold in 1999 can be perhaps attributed to marketing, a feature of which was the R1-million *Lucky Bucks* competition.

The economic performance of a company is determined and affected to a significant degree by the structure of the market (Albarran, 1996: 40). This structure shapes the conduct of different firms in the market, which in turn impacts on the performance of the market in general and companies in particular. In other words, where a monopolistic situation exists, the performance of the market will be skewed, as monopolists determine production output and prices. The economic performance of other companies within the supply chain, suffers immensely as barriers to entry rise. This is seen in the fact that, as BEE firms were struggling as seen through performance indicators, Afrikaans groups, led by Naspers, were accelerating their control of the JSE from 24% in 1996 to 32% at the end of 1998. This move clarifies issues surrounding the deals between empowerment companies and their Afrikaans counterparts and therefore adequately confirms Madi’s (1993,1997) traditional approach to BEE. In essence, though these economic transactions were made, they were in fact economic strategies to benefit and expand
Afrikaner business, rather than to advance empowerment. This is further confirmed by the social performance discussed below wherein the lack of job creation, the shift in decision making structures and community development support are illuminated.

Social Performance

Social performance of media firms covers issues of empowerment such as job creation, training, promotion of media access, social development and support of SMMEs. Though social performance seems to be difficult to assess, I will examine some cases in which the company’s economic performance contributes towards social goals. This is an attempt to illustrate how economic and social performance are integrated within empowerment as advocated by various stages of Madi’s (1993) modern approach. In other words, economic performance is part of the ownership and control stage where capital is created and then filtered into the social needs of the community. By creating jobs, supporting SMMEs and supporting community projects, social performance signifies the company’s drive to create capital for disadvantaged communities as part of economic advancement. Since empowerment is quite broad, social performance will also be examined through the holding companies’ entities, because these entities or subsidiaries interact with society on a daily basis. For example, the social role of the Sowetan will be taken as reflecting NAIL’s performance in the broader society. The lacklustre performance exhibited above shows a low level of impact in terms of empowerment changing management structure to allow empowerment partners as real decision makers. This was further confirmed by the restructuring that the occurred in the different phases of these companies’ history, resulting in them streamlining their activities. Based on that, the ability of BEE firms to create jobs and taking decisions regarding the support of SMMEs remains minimal (see also Duncan, 2001). The inability of empowerment to create jobs and broadly advance historically disadvantaged
groups is symbolised by the retrenchments at Kagiso, NAIL’s discontinuation of its N-shares, Midi e-tv’s intention to ditch its empowerment shareholders and so forth. As a result, the chapter will focus on a few community projects supported by these companies as part of their social responsibilities. In dealing with some of the cases, the problem of self-promotion is pointed out.

**Kagiso Media**

In its 1999 *Annual Report*, it was stated that Kagiso media’s holding company, KTI, reported involvement with many development projects in various parts of Africa, mainly in rural, informal and peri-urban areas. In all of these, the Trust plays a facilitating and capacity-building role, providing funds for training, project management, the formation and running of committees, meeting procedures, start-up funding, and so forth. All of these initiatives contribute in various ways towards community development and upliftment. Therefore, Kagiso media is used as a vehicle to sustain these initiatives and has found a way to integrate social with the economic performance. Outside of these functions, no other meaningful social roles were reported.

**NAIL’s Sowetan**

Since 1993, the *Sowetan* has sponsored the annual Community Builder of the Year competition, an initiative to recognise and acknowledge the efforts of the people who dedicate themselves to community service. The event was co-sponsored with the SABC, the national broadcaster. The initiative can be more seen as the advancement of the *Sowetan*’s slogan of the “Sowetan, building the nation” reflected on the newspaper’s cover pages than real empowerment. Again, as it is done throughout the media industry, sponsorships are part of companies’ attempts to evade tax.
The above economic and social performance indicators do not present empowerment as a truly successful initiative. The above indicators demonstrate the disjuncture between size and economic performance and how one does not directly link to the other. Thus, although BEE companies have managed to grow significantly into conglomerates as measured by assets, market share, licences and finance, this cannot be equalled by their performance. Even though the management and shareholding structures of some of these companies reflect change, the minimal of input brought by blacks confirms that it was just a response to pressure. This is seen in their roles as N-shareholders and their detachment from allocative responsibilities. Therefore, they could not simply be translated into a broader empowerment initiative (Madi, 1997). The minimal social performance indicates, to a certain extent, that as much as empowerment continues to influence the way the South African media industry operates, it still lags behind in terms of achieving the aims that it set out to accomplish.

Conclusion

This chapter dealt mainly with economic issues in an attempt to understand the size and the nature of the dominant BEE players in the South African media industry. By doing an economic analysis, the chapter explained, “why media firms operate in the manner in which they do” (Albarran, 1996: 43). The chapter further dealt with the economic conduct and performance of these role players and how they penetrated the market. It became quite evident that though BEE can be dated as far back as 1994, it has not actually shaped up or fully entrenched itself. Thus, despite its success in reshaping economic relations within the media industry, it is still characterised by negative performance. This can presumably be attributed to the way in which the initiative is defrauded by both empowerment and non-empowerment groups in various ways. Drawing from the conduct cases and performance, it becomes clear that the majority of the deals
that brought empowerment into the media industry, were not real empowerment, but economic strategies largely influenced political factors. Based on the market structure, economic conduct and performance criteria discussed above, empowerment is, up to this point, a distortion.

In attesting to the vulnerable position and the torrid conditions faced by empowerment, Dikgang Moseneke positively advised that, “we have to join the competition for local and international institutional investors. In future we believe empowerment should be determined not by a company’s shareholder base, but by its board, executive leadership, commitments and actors that conform to an empowerment profile” (Mosenke, 1999: 10-11). This sentiment reflects a number of issues: i) overt acceptance that first-generation empowerment is not succeeding, ii) the susceptibility of empowerment to changing trends, and iii) a sudden shift from the initial aims, goals and objectives of the initiative. Despite an inadvertent denouncement of the initial criteria for judging BEE, Moseneke’s statement further marks a continual shift in BEE. This shift resulted in a lot of tensions amongst the various role players in empowerment as discussed in the next chapter.
Chapter 4

BEE and Economic Resistance: The Struggle For Media Transformation

Introduction

The previous chapter discussed BEE in the media industry in the post-apartheid South Africa and how it was being contested within the economic realm. In other words, whereas the empowerment companies entered the market, as discussed in the deals as part of transformation, they were met with resistance from non-empowerment firms, who tried to protect their economic power base. This protection was done through the use of different strategies. As these strategies were used, the entry and expansion of BEE into the market was constrained to a certain degree. This was evidenced by the acceleration of Afrikaner empowerment on the JSE against the sluggish performance of BEE firms pointed out earlier. Apart from the non-empowerment companies, the empowerment firms were also monitored constantly by the government through regulatory agencies such as the IBA/ICASA. These agencies wanted to ensure that the empowerment status held by these companies was not diluted and replaced by individual interests. While outside the market the government has enforced empowerment, it has been heavily criticised by the labour movements particularly COSATU, on the way it carries out empowerment. In the middle of these contestations, Black Management Forum (BMF) emerged. The latter attacked both the government and the labour movements alike over what it termed rigid and slow approaches to empowerment.

Based on the scenario above, it becomes quite apparent that as part of media transformation,

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48 BMF was formed in 1976 to promote and advance the interest of black business.
BEE has always been a contested phenomenon, therefore a struggle. It is a struggle because it attempts to change the dominant paradigm characterized by economic inequalities in the media industry created by apartheid. Initially the struggle was only economic, but following a sudden shift in empowerment, a political dimension was added to it as well. The economic is driven by market imperatives as seen in the interaction between BEE firms and their non-empowerment counterparts on one hand, and BEE firms and regulators on the other. The political dimension is political, fought outside of the media industry as exemplified by the government, labour movement and BMF. In all these dimensions, the struggle has two levels, namely the local and global levels. The economic dimension of the local struggle for transformation is demonstrated by the interplay between the previously strong companies such as Naspers and the defunct Perskor, and the new companies emerging from the historically advantaged communities represented by NAIL, AME, UAM, Kagiso, Johnnic and Nozala, to name only these. This interplay further hauled the government into the struggle through its legislation and policies. Within this perspective, the struggle was mainly about survival in the local market, as BEE firms fiercely competed among themselves on one hand, and with historically white ones on the other. Hence it is referred to as the local versus local struggle in this chapter. The political dimension of the local versus local struggle was different, comprising mainly labour movement, black business and the government.

The global (foreign) struggle for transformation is essentially transnational, influenced by the creation of the borderless economy resulting from fragmentation of territorial borders. In this regard, distance matters less as media firms invest in any market where opportunities arise (see Thompson, 1995). At the economic level, this struggle was also fought within the market paradigm, demonstrated by the strict limitations on foreign media ownership and the revised
offshore listing requirements. This struggle occurred between the TNCs, local companies and the local regulatory agencies. The political dimension of the local versus global struggle was broad, comprising the social movements, the TNCs and the government over the commercial orientation of empowerment at the expense of the welfare of the local citizens. The TNCs were in this regard, blamed for social resentment, cultural degradation and moral decay (Thompson, 1995). The struggle in this dimension reflected the various responses to globalization in relation to empowerment.

This chapter examines the factors underlying these struggles as they occur in empowerment and their impact on this initiative. The chapter argues that the different empowerment positions advanced by the various role-players within the struggle are interest-based, as proved by the strategies they employ. The struggles have to be understood in relation to broader social actors, including governments and labour movements in which media firms operate. These forces are the embodiments of a society understood in terms of power relations (Mosco, 1997). The section below, analyses the different levels of these struggles and their origins. It is demonstrated that some of the struggles can be traced back to the collectivist historical relationships during the struggle against apartheid. While power remains an important element in the positions advanced by different institutions and organizations, the focus will be on the strategies, networks, and the mechanisms and, all those techniques involved used by the various institutions to exercise power in attempt to advance their positions. As a result, strategies or networks are examined in pursuit of and theorizing about empowerment as a struggle. However, it is equally important to note that these strategies, networks, mechanisms and the techniques are not static, but are always shifting positions as dictated by the nature and the forces of power.
**BEE and the Conflicting ideologies: Local versus Local**

From its inception BEE, as an enforced initiative, required a certain level of power to be exercised in carrying it through, as seen in mergers between BEE and historically white-owned firms. As demonstrated later in the chapter, the level of power that a particular actor wields depends largely on its position within the society. This position determines the way in which the actor behaves not only inwardly, but in relation to others as well. Although the transactions discussed in this study reflected how the government exercised power to pursue empowerment, the behaviour and the conduct of the media firms have demonstrated that power can be resisted at times. This power/resistance relationship confirms Foucault’s (translated by Gordon, 1980) assertion that “there are no relations of power without resistances”. Resistance, Foucault, continues,

> are all the more real and effective because they are formed right at the point where relations of power are exercised; resistance to power does not have to come from elsewhere to be real, nor is it inexorably frustrated through being the compatriot of power, hence, like power, resistance is multiple and can be integrated in global strategies (translated by Gordon, 1980: 98).

To confirm this multiplicity, two forms of resistance are identified in this chapter: radical and liberal resistance. These forms are deeply concealed within and manifested through ideology as an instrument of power. It is important to note that within empowerment, the radical and the liberal form of resistance are the results of the pressure from the government as entailed in Madi’s (1997) traditional approach to empowerment. They can, as well, appear through economic conduct and general industrial behaviour within the economic dimension. Although radical form of resistance in the local versus local struggle can occur at the regulatory level, it is within the political dimension where the government and labour movements are involved that it
is predominantly manifested. Within the context of these struggles, radical resistance is an overt or explicit way of opposing the government’s driven empowerment. This occurs in the form of defiance and open objections to the policies and legislations that attempt to promote the BEE initiative irrespective of the consequences. However, resistance in the media industry has to be treated with caution due to: i) it is a complex phenomenon which cannot be understood at face value, especially its liberal form, and, ii) two forms of resistance can at times be applied simultaneously.

Contrary to radical resistance, the liberal approach to resistance is largely covert. In other words, though wanting to protect their market from infiltration by BEE companies, historically white-owned media firms knew of the political and economic consequences if they explicitly refused to make way for empowerment as indicated earlier. In an attempt to protect their market and being seen to be responding to transformation, historically white-owned media firms had to, somehow, interact with the new entrants as manifested in the mergers that characterized the first phase of BEE. Liberal approach to resistance can be viewed as a strategy to deal not only with competitors, but also as the way of repositioning one’s existence within the general process of transformation. It is, therefore, a subtle way of non-conformity by employing different strategies. In other words, while non-empowerment companies pretend to display cooperation at the surface level, the opposite occurs inside these institutions. It is actually liberal resistance that often result in despair and despondency explained in Madi’s (1997) traditional approach. Liberal resistance is also summarized in the words of the former editor of the Sunday Times, Ken Owen who commented:

Successful publishing depends on having an editor who is ‘in tune’ with his readership. If I tried to edit the Sowetan, I would wreck it; most
black editors, unless they had been extensively trained on the *Sunday Times*, would wreck this paper.49

In Tomaselli’s (1997: 50) terms, “Owen’s statement is symptomatic of inherited social structures in the post apartheid era”. Thus, apart from showing the interplay between meaning and power, this statement can be perceived as a general attempt to maintain and legitimise the economic dominance of ‘whiteism’ in the media industry. This is because lack of training and experience has always been cited as some of the reasons why historically disadvantaged groups occupy inferior positions in the media sector. Given this example, one can see that the resistant character of the media cannot only be discussed by means of the organisational structure of the media institutions nor the characteristics of media messages anymore, but also through policies communicated implicitly by individuals within these institutions, which must be critically assessed and understood within the context in which they are displayed (cf. Murdock, 1982).

As seen in the mergers, the liberal resistance is based mainly on the use of capital power and economic advantage to limit the progress of empowerment companies. This demonstrates the liberal resistance as the dominant form within market framework, as symbolised by empowerment and non-empowerment companies’ interactions. The dominance of the liberal resistance could be attributed to two main factors. The first factor relates to the nature of the struggles that led to the political transformation of South Africa to a democratic country. This means that the more liberal the society is in transforming itself, the higher the chances of the media institutions following the same route. The second factor has to do with the government’s power to enforce empowerment, which could not be defied by the historically white-owned.

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media firms. Thus while (theoretically) taking part in empowerment, historically white-owned companies still wanted to (practically) tightly hang on to their market power. The partnerships can be interpreted, as Gramsci (1971) has pointed out, an attempt to create a real hegemony through legitimacy and alliances. In other words, by being involved in alliances with BEE firms, historically white conglomerates would be seen as responding to transformation, but, on the contrary, they would be maintaining and legitimising their economic power within the media industry. Legitimacy and alliance are important constituents of hegemony as the dominated group ‘unconsciously’ contributes towards its domination thinking that it is natural as demonstrated by the deals that occurred in 1999 such as NAIL/Sanlam, e-tv/Rembrandt and NAIL/BOE. Similar to Perskor/Kagiso merger, NAIL/Sanlam\(^{50}\) deal had certain conditions attached to it. Thus, NAIL was requested by Sanlam to drop the term “black in its empowerment thrust” (Mokoena, 2000:2). The NAIL/Sanlam deal occurred despite the lessons from the first phase of BEE. Apart from signifying liberal resistance to perpetuate economic dominance, the deal further carried the legacy of the apartheid economy: i) merging with a historically white giant as guaranteeing economic success and therefore, survival, and ii) conglomeration as key to future business development- a point which radically opposes the SMMEs ethos espoused by BEE.

Since the economic dimension of the local versus local struggle has been dealt with adequately in chapter 3, the focus in this chapter will be between the BEE firms and the regulator. Outside of the market the discussion will be on BEE firms, labour movement and the government over how BEE should be carried out. Apart from demonstrating a gradual detachment from apartheid collectivism, the discussion illuminates radical resistance to the struggle as well. Although the

\(^{50}\) NAIL came into existence after acquiring a 10% stake in Sanlam’s Metropolitan Life. Interestingly, both
struggle was driven by economic interest, it was fiercely contested within ideological paradigms. The struggle occurred as BEE firms strove to maximize profit demonstrated by their transnational corporate expansion strategies discussed in the next chapter. As these strategies were employed, the labour movement, who accused them of enriching themselves at the expense of empowerment, constantly attacked the BEE firms. Within this dimension the government was also lambasted because of what the labour movement considers to be the inappropriate method of carrying out empowerment. This is represented by ANC-led government/COSATU wrangles.

**Resistance from regulation**

The IBA’s initial refusal to allow Rembrandt to buy into e-tv reflects a radical approach to resistance at regulatory level. Midi e-tv wanted to have its shareholding structure changed to accommodate Rembrandt. As per its licence condition, 80% of its shareholding was supposed to remain in the hands of historically disadvantaged groups. In its amendment application, Midi requested the transference of all its shareholders to Sabido, a wholly owned subsidiary of HCI. The amendment, however, was to exclude the 20% held by Time Warner. The partnership was to have Rembrandt owning an estimated 26% of Midi’s e-tv. Midi’s request was met with resistance from the regulatory authority, the IBA, who viewed the request as an attempt to dilute empowerment and undermine diversity of ownership. Rembrandt’s move came after protracted feuds at e-tv regarding the inability of empowerment shareholders to sustain their investments at the station. It was argued by the IBA that the intended move would dilute the broad-based structure of empowerment in Midi. As a result, the agreement made during the granting of the licence would be broken. What is evident in this example is an attempt by the IBA to protect empowerment, which is considered to be in danger of being undermined by what is supposed to...
be an empowerment company. Whereas Midi advanced what it considered to be a justified move above, the IBA perceived these actions as compromising empowerment. Midi’s request should be understood within the commercial interest perspective, driving the second phase of BEE. Following the lacklustre performances discussed in chapter 3, seen in NAIL’s dropping of N-shares and the condition to drop its empowerment thrust, attached to its merger with Sanlam, it seems BEE firms were prepared to dilute their empowerment status. While this is part of the shift in empowerment, it did not augur well for the initiative. These actions further showed how empowerment was distorted and deceived by the BEE companies in their quest to generate profit for themselves.

The section below examines the two dimensions of the local struggle by looking at how various actors think of the initiative and how it should be realised. Interestingly, the actors in the second dimension agree that BEE was essential to increase participation of historically disadvantaged groups in the economy. However, the differences appeared when strategies were employed to advance empowerment. Therefore, the disagreement was not actually about empowerment per se, but how it should be carried out. It is at this point that Foucault’s (Gordon, 1980) conception of power becomes relevant in terms of analysing how these actors relate to each other. As Foucault explains, the action undertaken by these actors reflects how power is exercised and resisted at the same time.

A further interesting point about the political dimension is that apart from its ideological foundation, it further brings together the political allies of the struggle against apartheid, particularly the government and the trade unions as represented by COSATU in the empowerment process. COSATU’s marriage with the ANC can be traced back to 1985 when the
labour organisation was formed. Though there was a relationship between the ANC and COSATU’s predecessor, South African Congress of Trade Unions (SACTU), it was not as strong as the one forged in 1986. The strength of the ANC/COSATU relationship could be attributed to the fact that workers viewed their struggle as part and parcel of the larger political struggle for liberation. It was during this time that the ‘liberation first’ slogan gained momentum in South Africa, including other sectors, in particular, education. The ANC/COSATU alliance brought with it another role player in South African politics, the South African Communist Party (SACP). The triadic relationship between the ANC, COSATU and SACP, later known as the tripartite alliance, resulted in the formation of a strategic alliance with a central objective of dismantling apartheid and building a non-racial democratic and unitary South Africa (Baskin, 1991:432).

The alliance has always been strengthened by the ability to carry dual membership between the ANC and the SACP. COSATU, on the other hand, served as a feeding scheme to the ANC leadership as most of its leadership ended up in the latter’s top ranks. With additional support from student movements and other civic organisations, the ANC-led struggle against apartheid was a collectivist one, blurring the labour, social, student and political distinctions fighting within the guidelines of the Freedom Charter. Even after the demise of apartheid, the Freedom Charter continued to unite all the forces, directing their way into the country’s first democratic election in 1994, evidenced by the ANC’s initial intention of nationalising the economy. Apart from being rallying points for the ANC and its allies for the 1994 elections, these guidelines were carried further into government. This was demonstrated by the adoption of a free education system and the people-oriented Reconstruction and Development Program (RDP)\textsuperscript{51} among

\textsuperscript{51} Both free education and Reconstruction and Development are contained in the socialist Freedom Charter, which
others, after the ANC’s assumption of power in 1994. Interestingly, the ANC-led government never showed any shift from the influences of the Freedom Charter upon taking power. It was only in the late 1996 that the ANC-led government’s position began to shift when it abandoned RDP and its related activities, thus adopting what was referred to as Growth, Employment and Redistribution (GEAR)\textsuperscript{52}. Though this shift raised eyebrows amongst its allies at first, it was somewhat downplayed for a while. The shift became clearly visible when the government assets were restructured in the name of BEE.

There are actually three diametrically opposed positions within the political dimension, all demonstrating not only how the shift in empowerment was perceived, but furthermore, the way power is imposed, resisted, negotiated and shared in a society. The first position is held by COSATU, who advocates a somewhat socialist approach to BEE, though this is self-contradictory at times. The second position is represented by the government who views privatisation as key to BEE. The third position in the conflict is held by black business through BMF. Although unreservedly attacking both the labour movement and the government, BMF is often leaning towards the government position. These are the positions around which the conflict over a shift in BEE has been contested. Although these positions pose their own challenges and problems, it is extremely difficult to pick out one as ‘the would be’ ultimate model that will make the initiative successful.

The three positions cannot be isolated from the power relations within the South African

\textsuperscript{52} GEAR has among others the following basic goals: reduction in government consumption, reduction of the government’s role through privatization and export driven economic growth.
economy. Therefore, every position should be understood within the framework of the institution’s mode of operation, its interests and position with the South African political and economic system. Thus, if one looks at the COSATU for example, it knew and understood what privatisation meant for them: dwindling membership resulting from unemployment (Leach and Vorhies, 1990). This would eventually limit the union’s political power in the country. Therefore, the union’s radical opposition to privatisation was a forlorn attempt to protect its members. On the other hand, the government’s position should be looked at from its Gear economic policy striving to attract foreign investments and increase its revenues through privatisation. BMF’s position should be analyzed within the context of the processes outlined in chapter 3 detailing their interests in institutional extension. The section below analyzes the different positions advanced by these actors, which seem to be at the root of the raging conflict. The eruption of the conflict attests to Gurley’s perception that, “when countries adopt capitalist practices in order to elicit greater work effort and economic efficiency, they run the risk that such practices will prove incompatible with the social ownership of the means of production and the workers’ political power” (Gurley, 1983: 106).

Trade Unions and the Socialist Tradition of Empowerment: The case of COSATU

As mentioned in the previous chapters, COSATU was amongst the first institutions to applaud Cyril Ramaphosa’s move to join NAIL in 1997. Though COSATU and other labour unions in South Africa did not have a specific policy on empowerment, they were totally opposed to privatisation as the strategy to economic empowerment. However, their actions, economic involvement and behaviour have over the years demonstrated an ambiguous and perhaps, a very contradictory stance to this idea. After the post-apartheid liberalisation and internationalization

of the media market, the unions quickly bought huge stakes in various markets as seen in fig. 14 and 15 below, illustrating some of the assets owned by the unions. As a result, COSATU’s relationship with BEE was two-fold: the first fold involved its position as the supplier of labour to the media institutions and the second fold is in its capacity as a business institution pursuing empowerment. These multiple positions seem to have created contradictory positions. Thus, while its role as an investor in BEE was compared to the position held by BMF on one hand, its capacity as a supplier of labour makes it different. Despite its massive ownership, COSATU continued to protect the last position at all costs as demonstrated by its response to empowerment and its subsequent shift.
Fig. 14. Cosatu’s involvement in business
(Source: Sunday Times Business, 2001, 9 September 9)
<table>
<thead>
<tr>
<th>Shares</th>
<th>% of Initial Sale</th>
<th>Rand</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Union of Mineworkers</td>
<td>6 872 780</td>
<td>12.94</td>
</tr>
<tr>
<td>SA Railway and Harbour Workers’ Union</td>
<td>5 391 800</td>
<td>10.15</td>
</tr>
<tr>
<td>SA Commercial, Catering and Allied Workers’ Union</td>
<td>2 553 369</td>
<td>4.81</td>
</tr>
<tr>
<td>Food and Allied Workers Union</td>
<td>2 302 864</td>
<td>4.3</td>
</tr>
<tr>
<td>Paper, Printing, Wood and allied Workers Union</td>
<td>2 046 674</td>
<td>3.85</td>
</tr>
<tr>
<td>Mineworkers’ Investment Corporation</td>
<td>1 961 120</td>
<td>3.69</td>
</tr>
<tr>
<td>Metal and Electrical Workers’ Union of SA</td>
<td>1 289 871</td>
<td>2.43</td>
</tr>
<tr>
<td>SA Clothing and Textile Workers’ Union</td>
<td>902 121</td>
<td>1.7</td>
</tr>
<tr>
<td>SACTWU Investment Group</td>
<td>748 448</td>
<td>1.48</td>
</tr>
<tr>
<td>Ikwezi</td>
<td>784 448</td>
<td>1.48</td>
</tr>
<tr>
<td>Building Construction and Allied Workers’ Union</td>
<td>492 929</td>
<td>0.93</td>
</tr>
<tr>
<td>Construction and Allied Workers’ Union</td>
<td>489 662</td>
<td>0.92</td>
</tr>
<tr>
<td>BCAWU/CAWU/MEWUSA Investment Company</td>
<td>294 290</td>
<td>0.55</td>
</tr>
<tr>
<td>SACCUWU Investment Company</td>
<td>196 112</td>
<td>0.37</td>
</tr>
<tr>
<td>PPWAWU Investment Company</td>
<td>196 112</td>
<td>0.37</td>
</tr>
<tr>
<td>Total</td>
<td>26 558 600</td>
<td>50.00</td>
</tr>
</tbody>
</table>

Fig. 15. Cosatu’s shareholding in Johnnic
(Source: Tomaselli 1997)

The above diagrams present the labour investments as dispersed throughout the larger sector of the South African economy. Contrary to fig.14. which provides a broad picture of the unions’ investments, fig.15. illustrates the unions’ shareholding in Johnnic only. Fig.15. complements accurately fig.7 described in chapter 1. In addition, fig.14. does not include some of the assets held by individual investment arms elsewhere as in UAM, Primedia and Midi consortium.
The unions’ huge penetration into the economy resulting in their massive investments illustrated in the figures above can be attributed to their history with the ruling ANC. In other words, opportunities seemed to favor them over any other institution in the South African economy. This was seen in the way they successfully won many bids more than anyone else following unprecedented market liberalisation shortly after the dawn of a democratic South Africa. In all these shareholdings and huge investments, COSATU invested their members’ pension money in a move that was widely received with suspicions in other labour circles (South African Labour Bulletin, 1996; Tomaselli, 1997). Amongst the concerns raised related to the following:

- The secrecy around the conclusion of the transactions due to high illiteracy amongst union members, especially on issues of investments,
- The placement of ordinary people’s hard-earned savings in high risks investments, which if the investments fail, could lead to the total wiping out of the life savings of members,
- The commercialisation of the ethics of a movement that once relied on solidarity and collective action turning the unions into commercial enterprises,
- The enrichment of a new small bourgeoisie instead of empowering many people, as signatories to the deals are largely executives,
- The union members will continue to be tied up with companies and management without rights over their money even after retirement.

Irrespective of these concerns, COSATU went ahead claiming to empower their members. It bought and acquired huge stakes that eventually turned its investment arms into conglomerates.

Also interesting in the unions’ buying spree was the persuasion of the trade unions by some ANC leaders to buy more into parastatals. When addressing the six national congress of the National Union of Mineworkers (NUM), ANC’s secretary-general, Kgalema Motlanthe emphasized that
the unions should use their members’ pension funds and provident funds to buy shares in parastatals so that they could be kept within public hands (http:www.iol.co.za/general). The irony was that the buying went ahead despite the trade unions’ complete denouncement of privatisation as part and parcel of global capitalism. For the labour movement, capitalism has proved to be the creator of harsh economic inequalities among the people by re-enacting class and differentiating those with capital and those without. In the media, privatisation is considered to be limiting the participation of the public. The privatization of institutions such as Telkom, results in the rise of prices\(^5\). COSATU was also vehemently opposed to privatisation-aided empowerment because it believed that privatisation would create a layer of black capitalists.

As part of its radical resistance to fight privatisation, COSATU took the following decisions: i) to clamp down on bidding for the parastatals or privatized business, ii) a socialist control of its investment arms, iii) opposition to the government’s privatisation policies, and iv) a fight for the re-instatement of the Freedom Charter (www.COSATU.org.za/samwu/congress5.htm). Although these decisions reflect the union’s radical stance on privatisation, it was met with resistance from the investment companies themselves, including one of its affiliates, National Union of Mineworkers of South Africa (NUMSA) (\textit{City Press Business}, 24 September 2000; \textit{Sunday Times Business Times}, 24 September 2000).

COSATU’s actions confirmed Gurley’s (1983: 105) idea of the union’s “unwillingness to attain higher living standards solely with what they consider to be capitalist values, incentives, and institutions”. “Instead”, Gurley (1983: 105) continues,\(^5\)

\(^5\) The rise of 23.9 % of local calls became evident in the long battle between ICASA and Telkom over what the regulator referred to as ‘unfair and unjustified increase’ by Telkom. Telkom justified the new tariffs as in line with inflation. On the other hand ICASA, viewed the tariffs as going to have devastating effect on the residential customers given the unimpressive economic climate. The matter was eventually hauled before court and dragged on
they have chosen to play down, but not entirely discard, the historical experience of
capitalism, in the interest of promoting values of cooperation; social incentives that stress
hard and well performed work for the sake of helping others, the revolution, the nation, or
the international proletariat, and the socially destructive and anarchic individualism in
competitive and speculative markets.

Gurley's (1983) statement is true when considering the fact that while emphasizing socialist-
values, which influenced their actions above, the trade unions were still in practice, capitalists.
This was seen in their continuation to keep other assets, which they have purchased previously
both nationally and internationally, including a significant 10% stake in Primedia. As further
confirmed by Tomaselli (1997), unions were becoming major investors in retailing, stock-
broking and radio broadcasting. In spite of their ownership (see fig. 14 and 15), COSATU still
wanted to fight what they refer to as 'colonial capitalism' through the National Democratic
Revolution (NDR). This action demonstrates the importance of COSATU role as a supplier of
labour, which it wants to safeguard. Capitalism, argued the unions, distorted South Africa's
society and economy.55 According to COSATU, engagement in NDR would bring about the
liberation of black people in general and the African people in particular from national
domination and economic exploitation (COSATU, 2000).

For COSATU, colonial capitalism is connected to class, which creates capitalism. The concept
of class, in COSATU's view, "defines social groups in terms of their relationship to the means of
production and consequently their role in the economy. In any class society, the major class
distinction lies between those who both own and control the means of production, and the "non-

55 "Advancing social transformation in the era of globalization": COSATU's discussion paper for its 7th national
congress, 18-21 September 2000.
owners”, who must work for them in order to earn a living”. It is ideas of this nature that clearly connected COSATU to socialist Marxism. In terms of this tradition, those who own the means of production are in the minority, but they are given the power to dominate by their capital means. As a result, they continue to use this power to dominate and legitimize their positions within society. In COSATU’s idea of socialism, the state and other forms of collective ownership should, i) dominate large scale production, ii) serve as the basis for equality in incomes and job creation, iii) the state should allocate resources and services, and iv) guard against the presence of foreign capital as it may undermine the general economy and the ability to maintain the system, thereby making local initiative such as empowerment unattainable. Within the privatisation model, job creation, allocation of resources and provision of services are deliberately shifted to private hands as opposed to public and social ownership of COSATU’s position. The lack of government subsidy to the SABC has always been cited by COSATU as a relevant example. This argues, the union, has affected the corporation in terms of serving the public.

To demonstrate its influential power, COSATU has responded to the government’s privatisation-aided empowerment in various ways, thus confirming Foucault’s strategies of exercising and resisting power: organisational methods, smear campaigns and industrial actions (see also Ascher, 1987). Organisational methods comprise the education and mobilization of its members against privatisation. This was aimed at constructing a common world-view necessary to create a rallying point to oppose the government’s position. This confirms that the “major mechanisms of power are accompanied by ideological productions” (Gordon, 1980: 102). Smear campaigns are applied in joint cooperation with other institutions. They involve the union’s ability to create

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56 “Advancing social transformation in the era of globalization”: a political discussion paper for COSATU’s 7th
a rallying point that the government does not care about the quality delivery of services to the public, but only profit. As an example of mobilization, COSATU formed a coalition with the South African Non-Governmental Organisation Coalition (SANGOCO) and the South African National Civic Organisation (SANCO). SANGOCO also launched an attack on the government’s privatisation plan citing job security, quality of service and living standards as never guaranteed in privatisation. This action can be interpreted as an inadvertent re-activation of the collectivist approach adopted during the struggle against apartheid.\(^{57}\) Albeit being popular and arguably dominant in this conflict, the coalition demonstrates that smear campaigns will be futile without the support of the larger social movements and civil society. This became evident in COSATU’s attempt to garner support from SANGOCO. When addressing the SANGOCO week, 27 September 2000, COSATU’s President reiterated that:

> COSATU rejects privatisation not only because it will lead to job losses, but also because privatisation will lead to more expensive and inaccessible services for the majority of our people who are not employed and have a legitimate right to depend on the democratic state for sustenance and human resource development (COSATU, 2000: 3).

As seen from this citation, smear campaigns denote negative publicity. This negative publicity is quite crucial in getting the support to offer radical resistance.

Industrial action has always been a negotiating tool throughout the history of South African labour movement. Therefore, it is not unique to the struggle against privatisation-aided empowerment. The only difference is that it is no longer carried along with anti-apartheid national congress, 18-21 September 2000.

\(^{57}\) The struggle against apartheid was fought in a collectivist way influenced by the ideas of the Freedom Charter. It was a coherent approach bringing together student movements, labour and political organisations as headed and coordinated by the ANC. The underlying idea was that apartheid affected all of them in the same way. As Ramaphosa commented, “if workers are to lead the struggle of liberation (economic or political), we have to win the
struggle.

What further complicated COSATU’s position was the ambiguity stemming from the market models (private ownership) in which they purchased their assets, and the socialist ideology which they advanced and by which they wanted to run their companies (see also Splichel, 1994). Private ownership is linked to market wherein profit is an end in itself. Thus as private owners strives for profit, empowerment is often ignored and therefore, suffers. The need to generate profit was confirmed by one of COSATU’s aligned investment companies, who was opposed to COSATU’s proposal to run them on non-profit socialist models, arguing that it is impossible to operate without making a profit (City Press Business, 24 September 2000).

Of major importance in COSATU’s action, was the amount of power wielded by the unions and the different strategies used to exercise it while resisting the government on the other hand. This confirms Foucault’s (Gordon, 1980) idea that effective resistance is formed where the relations of power are exercised. This means that as the government exercised its power, demonstrated by the implementation of privatisation, commercialisation and so forth, COSATU offered radical resistance. The smear campaigns were essential for COSATU to garner support, which serves a unifying role.

Given COSATU’s contrasting positions, one realizes that the role of trade unions in South Africa and to BEE in particular has turned out to be more complex and vital than ever before, especially if one measures the economic processes discussed above in relation to their position as influenced by the Freedom Charter. In dealing with economic inequalities, the Freedom Charter

confidence of other sectors of society” (quoted in Baskin, 1991: 54).
espouses the concept of sharing, which can only be possible if the means of production are placed within the state and the public. For the Freedom Charter, the state is responsible for allocating resources equally amongst its citizens. Private ownership is totally discouraged because it carries social stratification and conglomeration, which are inimical to empowerment because they inhibit access and economic equality. Social stratification, on the other hand, brings about class, competition stressing individualism and mass production, which entail high labour exploitation (COSATU, 2000). One therefore, cannot achieve economic transformation through private ownership.

While the labour movement in South Africa has decided to wage a war against class and private ownership, it remained mum about the conglomerates that it wholly owned, including UAM. The ownership of these assets can cause a conflict of interest about the way in which empowerment process should be enacted. As Splichal (1994) points out, big business is not a site where democratic decision-making takes place. This is because of the fact that private ownership of the media results in the creation of conglomerates in media industry, which confines the media within a few hands and manipulates it for profit purposes. This relates to the fact that as much as private ownership of the media is considered to be competitive, “it does not”, warns Splichal (1994: 92), “guarantee the quality and diversity of information needed for active citizen participation”. Splichal’s warning is presumably based on the fact that:

- As capital becomes a determining factor to media access, the social bonds of the society are fragmented,
- As the media become mass focused, it seems to be out of touch with its target audience,
- Issues of identity and nationalism are compromised in pursuit of profit,
- The media will reflect the interests of institutions funding them such as advertisers and
sponsors, thus signaling the end of its freedom,

- Monopolies will be created as a means of negotiating competition thereby making conditions for market entry difficult.

To empowerment, media conglomerates ignore the voice of the grassroots communities, and deny access to information as well. Again, as the cases discussed in chapter 3 indicated, three media conglomerates have restricted the entry of SMMEs in the market. In the process, diversity both in terms of ownership and content waned, as only a few media houses manage and operate the channels, thus offering similar content. These reasons confirm what the market-centred approach to empowerment is and how it can override the social dimension. Market centrism is ideally based on what it considers to be the consumer interests (see also Downing, 1984). This requires constant monitoring and strong regulation to ensure that empowerment is not washed away by a purely economic interest of the market.

COSATU’s position illuminates the conflict between ideology and pragmatism. As shown in chapter 3, ideology collapses when faced with the market conditions (see also Splichal, 1994). While its position was positive in terms of ensuring that empowerment is guarded against self-seeking individuals, its socialist position will not sustain empowerment, as proved by the negative performances, resulting in the abandonment of BEE’s first phase.

COSATU/SANGOCO’s case creates a new wave of collectivism somewhat different from the one directed towards the anti-apartheid struggle. Contrary to the previous one, the neo-collectivist approach was not jointly planned, but influenced by different positions advanced by
individual institutions or organisations. Thus, while the trade unions and non-governmental organisations formed a coalition, the same can never be said of institutions such as BMF discussed below, who attacked the government and the COSATU movements simultaneously. COSATU was blamed by BMF for its comments on BEE firms as conglomerates, which pursue their own interests by merging with white corporations while it (COSATU) owned businesses as well (City Press, 15 October 2000). The government on the other hand was lambasted for its slow pace on transforming the economy. The BMF’s attack on COSATU reflected a business response to the trade unions. As a result, it confirms the importance of COSATU as a provider of labour.

BMF and the Defensive Struggle

Apart from COSATU, the government received criticism from business organisations representing black business, in particular BMF, who accused the government of neglecting its responsibility of consolidating BEE. Since BEE was a necessary vehicle to increase and broaden the disadvantaged groups participation into the mainstream economy, the government was perceived as shying away from its core business of transforming the country (City Press Business, 15 September 2000). BMF always wanted the government to accelerate privatisation and the Empowerment Act. Needless to say that the majority of them came into existence following the massive liberalisation and privatisation processes as the recipients of the various broadcasting licences, therefore, there was no way in which they could denounce the government position. Whereas privatisation helps in expanding their business, the Empowerment Act was desired for enforcing historically white-owned institutions to transform so that they could merge with them. On the other hand, BMF totally subscribed to the government on ‘global capitalism’ defined in terms of private production and ownership as key to the development of the South
African economy and empowerment in particular. It viewed COSATU's position as outdated, failing to come to terms with business practices and the sustainability of empowerment.

While BMF seems to be justified based on the negative performance of BEE discussed in chapter 3, its position appeared to be interest-based. This is because the majority of the firms pursuing BEE were its affiliates or members in one way or another. Since 1996, BMF has been on the defensive as the government and social movements attacked its members for using empowerment for their self-enrichment. Many labels were attached to them such as 'capitalists without capital' or 'ghost directors'58 (see also Maseko, 1999; BusinessMap, 1999)). The labels follow BMF's members' practices of confining BEE to stock exchanges and shareholding without contributing anything towards job creation. These members further pursued global deals and ventures benefiting only themselves. They also became involved in partnerships with historically white-owned institutions only as directors thereby helping the latter in terms of securing government contracts. While BMF's position was a quest for institutional expansion, it could be justified based on the fact that it consolidated the participation of blacks in the media industry. However, the actions of some of BMF's members demonstrated that this position can hinder the progress of empowerment. This relates to the move towards conglomeratio, concentration of BEE on stock exchanges and dashing for the local market to pursue their own interests, which have become synonymous with first-generation empowerment.

**Government and Capitalist view of Empowerment: Negotiating Power**

Since 1994, the role of the government in empowerment has been somewhat contradictory. The abandonment of RDP for Gear towards the end of 1996 provides a turning point in the

58 Jane Duncan (2001) describes the actions of BEE companies as “talk left and act right”. This can be attributed to
government's role in empowerment. Although it continued to enforce empowerment, the government did so within the Gear policy framework, thus advocating foreign direct investment, privatisation and capital accumulation. The government's continued enforcement techniques could be seen in: i) the incentivization of historically white-owned companies such as Naspers, Perskor and so forth, who took part in empowerment by promising them contracts, ii) the promulgation of legislation that foster employment equity and empowerment, and iii), the establishment of a National Empowerment Fund to boost the initiative. As part of this process, existing monopolies were unbundled while companies that were seen to be resistant to transformation were constantly pressurised to respond to change.\textsuperscript{59} However, this action had its downside. Thus, most of the transactions to have taken place in the media industry between historically disadvantaged groups and their white counterparts were not authentic, but in fear of the government and the need to secure government contracts, a move that was earlier referred to as 'economic strategy'. This is because it benefited these companies more than empowerment. The correctness of this term was proved by the reversal of these transactions late in 1998 and early in 1999.\textsuperscript{60} The money for Empowerment Fund was generated from some of the privatised assets. The Empowerment Fund, which is yet to function, was set to continue and should not be dissolved earlier than 2008.\textsuperscript{61}

The above initiatives arguably represented the government's pro-empowerment position. This pro-empowerment position was further strengthened by the rapid entry of BEE firms into the

\textsuperscript{59} During the writing of this thesis the government was still going to pass the BEE Act.

\textsuperscript{60} As an example, the two major transactions to have taken place in this manner involve a black consortium, Dynamo Investments and Naspers (a product of Afrikaner empowerment)'s subsidiary, City Press, and Kagiso Trust Investment, the holding company of Kagiso media, and Perskor. None of the partnerships was still in existence by mid-1999.

\textsuperscript{61} Though established as early as 1998, the position of the Chief Executive Officer responsible for the fund was still
media industry following the massive liberalisation process. In this regard, legislation was used to ensure that empowerment was not swamped by commercial interests, as seen through the IBA’s initial refusal to change e-tv’s shareholding structure, and that BEE firms enter the industry. However, as indicated earlier, the government’s shift in its pro-empowerment stance occurred immediately after abandoning RDP, thus becoming engaged in large-scale privatisation plan. In the media industry this process covered mainly the telecommunication sector as seen in the rise of mobile phone operators such as Vodacom and MTN\textsuperscript{62} and the restructuring of Telkom.

Privatisation is linked to the policy of deregulation, thus deceptively claiming to eliminate “the state restriction on competition, including legal barriers to enter an industry” (see also Leach and Vorhies, 1990: 23). For Leach and Vorhies (1990), the government engaged in privatisation because apart from promoting economic growth, it increases government revenue as proceeds from the sale of state-owned firms can be collected, loss-making government firms can be turned into profit generating entities, and the government can collect tax from privatised firms and any new entrants into a deregulated industry. The idea of economic growth results from the fact that as private industries, the private firms are no longer constrained by political objectives and no longer protected by state monopoly privilege. In other words, firms knew that “they must make profit to stay in business” (Leach and Vorhies, 1990: 24).

Based on the above benefits, the government perceived privatisation as the key to empowerment.

This was explicitly contained in President Thabo Mbeki’s incessant call for black capitalists.

\textsuperscript{62}The principal shareholders of Vodacom are as follows: Telkom (50%), UK-based Vodafone (31.5%), Rembrandt Group LTD (13.5%) and HCI (5%). MTN, on the other hand, is owned by M-Cell (72,1%), Transnet (23%) and BEE groups (4,9%).
According to Mbeki, as part of the realization of the aim to eradicate racism in our country, we must strive and strengthen a black capitalist class (*Sowetan*, 22 October 1999). Mbeki’s position was confirmed by the Minister of Public Enterprises, Jeff Radebe, who reiterated the importance of privatisation to empowerment. The government position marked the beginning of the tensions and conflicts between the government itself and other actors pointed out above, that went on to characterize not only empowerment, but the South African economy in general. These actors, particularly COSATU, did not only see the government’s privatisation plan as elitist, but also as further undermining empowerment. This is because job losses became severely felt when high labour intensive institutions such as Telkom become involved. Apart from these, the commercial imperatives the high costs of services rendered by these institutions resulted.

The government viewed privatisation not only as the key to empowerment, but also as an inevitable process. In other words, the government wanted to claim to lessen its role in the daily running of the economy, by leaving it in private hands. The impression that was created in this regard was that the state was consolidating democracy by broadening and diversifying economic ownership. As Mosco (1990) pointed out, this is a myth around which those who would benefit from this short-and long-run interest might rally, because it maintained its (economy) direction and future through its policies. The deregulation myth is also supported by Splichal (1994) who argues that state-directed privatisation is more concerned with allocative control than with ownership or operational control. For Splichal (1994: 86), this is a deliberate “attempt to achieve political control over industrial privatisation and over the economy in general. This ought to assure them, in accordance with the Marxist doctrine of production relations and social superstructure, ‘the permanence of power’.”
While the government demonstrated its radical stance by going ahead with its privatisation plan, it could not ignore the significance and the influence of COSATU in the economic transformation of the country. The significance of COSATU in the South African political and economic sphere was seen in the cautious way the government responded to its action over the years. This confirmed the amount of power wielded by the trade unions, and therefore, could not be ignored by the government. The first strategy to have been used by the government was co-optation. Co-optation can be considered to be a deliberate attempt to silence and weaken the trade unions. This involves taking the influential figures and leaders of the trade unions into its structures. Once into its structures, these co-opted figures had to vigorously defend and protect government policies that they previously denounced\(^3\). Co-optation can be seen as a means through which governments deal with alternative opinions, especially those that are deemed oppositional to theirs. As a short-term strategy, co-optation is a successful tool in dealing with criticism because it does not use violence. However, co-optation has negative outcomes in the long-term: firstly, it closes up meaningful criticisms that can be beneficial to the democratic governance at times; and secondly, it widens the gap between the government and other democratic structures, particularly social movements in the society thereby creating uncertainties. The creation of uncertainties often results in the proliferation of coalitions or ‘far-left’ politics to engage the government.\(^4\)

The second strategy that was used by the government relates to the attendance of and continued

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3 The cases of two vocal members from COSATU, Jay Naidoo and Sam Shilowa provide a classical example. Jay Naidoo was the general secretary of COSATU after Cyril Ramaphosa. He led countless marches against the government’s privatisation plans. In a surprising move, Jay Naidoo was taken over by the government to become the Minister of Post and Telecommunications. Naidoo was succeeded by Sam Shilowa as the Secretary of COSATU.\(^4\). During his term, Shilowa vehemently opposed government’s privatisation plan. Shilowa’s role in anti-privatisation marches was cut short when he was recruited to become the Premier of Gauteng province.

4 A formed Anti-Privatisation Forum can be used as an example. Founded in 2000, the Forum comprises amongst others, members of COSATU affiliates, SACP, the ANC-aligned student movement (South African Student
presence by the government at the trade unions' large gatherings.\textsuperscript{65} This move could be viewed as a psychological ploy to lessen the criticism by their presence. The fact that most of the government ministers present at COSATU's National Conference in 2000 had their departments vigorously engaged in privatisation process or plans could provide a strong case. This argument, however, does not rule out attempts by the ANC-led government to strengthen the ailing relationship with COSATU.\textsuperscript{66} In this instance, the above cases could be used as supportive of the trade unions' gatherings. Given the nature of government's response to crisis, it was a psychological strategy to lessen criticism. The regular exchange of power between the government and COSATU and the different strategies employed by them in this conflict attest to Foucault's view that,

\begin{quote}
power is employed and exercised through a net-like organisation. And not only do individuals circulate between its threads; they are always in the position of simultaneously undergoing and exercising this power. They are not only its inert or consenting target; they are also the elements of it articulation (Gordon, 1980: 98).
\end{quote}

Foucault's point is seen in the fact that both the government and COSATU were exercising power and applying resistance at the same time. The government's privatisation plan and its response to COSATU's position demonstrate how government and the market have become interpenetrated and therefore, being implicated in every area of the economy. It further clarifies

\textsuperscript{65} The 7\textsuperscript{th} COSATU conference was attended by various government ministers (education, public enterprises, public services and administration and health) including the President Thabo Mbeki who went further by addressing the gathering on the importance of the alliance.

\textsuperscript{66} When addressing the same gathering Mbeki did not only justify the government's economic position, he further alluded to the strength of the alliance. His sentiment was echoed by the ANC's secretary general who called on the unions to buy into parastatals and referred the unions to relevant structures should they feel dissatisfied. In the same conference the previous year, Mbeki lashed out at the unions for what he called indiscipline. The government's psychological ploy became evident when COSATU's President mentioned that they (alliance) have "laid a foundation for constructive engagement" (www.iol.co.za/general/newsprint). He further pointed out, though lamely, that the ANC should take decisive control of policy development and implementation. Contrary to media speculation that the conference would be robust, the presence of government delegates reduced the tensions, though the criticisms were prevalent.
Mosco's (1990) idea about deregulation not as signifying the removal of the government control.

The legislation surrounding the operation of media firms, the unbundling of assets and the intention to privatise, commercialise and even maintain ownership in institutions such as Telkom, epitomize the government's involvement in the economy. Such involvement and penetration, as clearly shown above, often create difficulties for governments as it raises questions regarding not only its role as the monitor of the market, but its ability to control the market effectively without pursuing its own interests as well, particularly where it engages in commercial processes.

The fact that privatisation and liberalisation contributed to the establishment of the labour movement's conglomerates means that there is something to be appreciated about the government's position. As an example, it is the same privatisation that led to COSATU's investment in the telecommunication sector and other BEE companies' participation in the media industry. Given COSATU's massive investments resulting from the privatisation process, it is quite ambivalent that the trade unions and civic organizations, in particular, criticized the process that they contributed towards its shape and progress. By taking part in joint ventures, "the unions have forgotten the basic principle of class analysis: surplus value can only accrue from labour exploitation" (Tomaselli, 1997: 66). The exploitation of labour involves some of its members, thus questioning their much-publicized revolution against class as advocated by the NDR. The positive elements above, however, do not necessarily mean that the government's position cannot be vilified. The escalating unemployment and joblessness should be perceived as the end-results of this process.

The struggle for empowerment was not only at the local level. It also entered the global level as
part of the second phase of empowerment following the negative performance of BEE firms
discussed in chapter 3, as they tried to expand their business. As shown later in the next chapter,
there are a number of factors attracting the local population about transnational firms: the ‘free
market syndrome’, that TNCs claim to represent (Ferguson, 1992), the large capital base carried
by them and the possibility of high capital returns exceeding the local economy. Considering the
limited capital that characterized the early first phase of BEE, it was thought that these attempts
would immensely contribute towards BEE initiative. As much as globalization promises positive
results, there are a number of concerns, which ignited the conflict discussed below: the reduction
of competition as a result of large-scale mergers and acquisitions, possible retrenchment
resulting from scaling down of operations and costs minimization and high barriers to entry as
the market costs rise making it expensive for the new entrants. As pointed later in chapter 5, the
acceleration of black business in the name of empowerment at the JSE slowed down when many
of these firms started looking for offshore investments in 1998.

BEE Goes Global: Local versus Foreign Struggle

As probably shown by the transactions between the local media firms and foreign ones in their
persuasion of BEE and globalization respectively, the struggle was fought beyond the local
market. Like the local versus the local struggle, the global struggle also involved the companies’
interests, the government, social and political organisations and other interested role players and
their response to globalization. The importance of the institutions lies heavily in their attempts to
protect local cultures and markets from what they consider foreign players. This was probably
considered as a step towards redirecting the interest of the black empowerment companies to the
concerns of the local populace. As Herman and McChesney (1997: 197) opines, “most of these
groups are not opposed to global communication per se, but rather to global communications
dominated by a handful of corporations driven by strictly commercial considerations". The attempt to protect the local cultures and markets from foreign infiltration denotes the two-dimensionality of the struggle: the first dimension relates to BEE as a local initiative in which it was feared that it would be swamped and diluted by global firms. The struggle in this dimension was mainly between local and foreign media companies, fought within the business-to-business framework, using capital as an instrument of power.

Driven primarily by capital rather than ideological inclination, the struggle in this dimension was further shaped by some of the globalization myths such as big is better (Ferguson, 1992). The first dimension of the local versus global struggle is within the market. Contrary to the second dimension in the local struggle, this one demonstrates how BEE firms negotiate competition by thinking global, occurring through their intention to attract foreign investors and partners. This dimension is summarized by Moseneke when he justified NAIL’s involvement in the global market: “Given that we are among the top 30 companies in South Africa with a market capitalization of over R10 billion and Net Asset Value (NAV) of close to R13 billion, we must have large institutional investors. That requires us to join the global business and normalise our share capital structure” (Moseneke, 1999: 10). Moseneke’s comments illuminate the importance of capital in determining the move to the global markets. In an attempt to generate more capital for this purpose, NAIL became involved in intensive restructuring as explained in the previous chapter. Apart from discontinuing empowerment intended N-shares during the process, many of its assets were unbundled, notably, Theta and African Merchant Bank (AMB). This move did not augur well for one of its former directors, Jonty Sandler, who accused the new directors of undermining black advancement in the post-apartheid South Africa (Sunday Times Business Times, 27 February 2000: 4). Despite being the instrumental assets in the NAIL’s foundation,
both Theta and AMB had a predominantly black shareholding base. For Sandler, their unbundling reduced black shareholding base in NAIL considerably, therefore, undermining black empowerment. Sandler’s criticism is based on fig.16, below.

Fig.16. NAIL’s shareholding structure

Based on the diagram, Sandler’s concerns should be linked to ownership and control. Thus, AMB and Theta’s unbundling severely halved NAIL’s assets. Thus after their unbundling, only Metlife and New Africa Media (NAM) remained as significant assets in the company. For Sandler, through its ownership of AMB and Theta, NAIL constituted 38% of black business on the JSE, which became substantially reduced after the sell-off. While Sandler’s criticism can be understood based on this reasoning, it is important to mention that the restructuring was based on the long and short-term projections and future plans of the company. Therefore, the unbundling
of AMB and Theta should be viewed in two perspectives: NAIL acquiring more cash to invest into media assets on the global markets and the attempt to refocus NAIL’s interests to media. While big is better syndrome creates critical mass for the company, it does not benefit empowerment because it undermines the SMMEs foundation of empowerment.

Again due to its profit orientation, globalization uses finance as a means to access the media.67

Like the local versus local discussed earlier, one needs to examine the impact of this struggle on BEE. “The Global media system”, writes Herman and McChesney (1997: 189),

tends to further centralize media control in a narrow business elite, whose offerings are shaped by advertiser interests; these in turn feature entertainment, the avoidance of controversy, minimal public participation, and the erosion of the public sphere.

Judging by the M-Net/Warner Brothers deal, Herman and McChesney’s (1997) statement seems to be accurate. Instead of helping in the spreading of entertainment products across media channels in South Africa, Warner Brothers seemed to do the opposite by consolidating M-Net’s position in the media market. This was despite Warner Brothers’ holding company’s partnership with an empowerment company, e-tv. As discussed in the previous section, Warner Brothers’ deal with e-tv needs to be questioned, as it does not in any way contribute towards empowerment, but self-consolidation instead.

Certainly, global firms bring large sums of money which local ones, especially empowerment groups need for their own survival. This economic exchange gives global firms economic access to the local market as mentioned elsewhere in the study. In an attempt to avoid being dominated,

67 See also Vincent Mosco’s pay-per-society (Mosco 1988).
BEE groups merged with global firms not out of choice, but for the sake of saving themselves from possible price wars and competition. So the mergers were more survival-oriented than empowerment intended. This was manifested in the local versus local struggle, where, instead of expanding vertically upstream, BEE firms resorted to downstream. The difference between these forms of integration is that while upstream vertical integration relates to gradual growth through skill development, downstream vertical integration takes a rapid growth through mergers and acquisitions. The disadvantage of downstream vertical integration is its indiscriminate practices as it is often driven by competition and greed. As a result, it can be a recipe for disaster if the merged assets are not well integrated into the company. Unfortunately, empowerment goals are likely to fade away in the process. In other words, what was supposed to be the empowerment of the larger population ended up being the empowerment of a few individuals and the firms they represented (Maseko, 1999).

The scenario above indicates clearly the complexity of globalization. When local companies go global, they have the following advantages: access to world capital, broad investment base, and access to a large consumer base (Mosenoke, 1999). However, while it demonstrates the indispensability of foreign capital for local initiatives, it still drains the local market of the same capital as manifested by the low trading volumes at the JSE and rapid capital outflow, subsequently pressurizing the local currency in 1998.\(^\text{68}\)

The second dimension of the local versus global struggle exemplifies what can be termed

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\(^{68}\) The government has since devised the following new criteria for global enlisting, in particular that a company has to prove firstly, that global expansion is crucial, secondly, that the company should be earning much of its income offshore and thirdly, that such a listing should result in tangible monetary and balance of trade benefits for the South African economy (Sunday Times Business Times, 03 September 2000: 3). Though this can be perceived as an attempt to regulate globalization, the small and medium firms will be the ones to be affected by this ruling. Thus, while only conglomerates will be allowed to go global, small ones will be restricted.
protectionism, (cf. Thompson, 1996) fought between global media firms and other local role players such as the government and social movements. Protectionism appears in various forms ranging from content quotas and tariff applications to limited foreign ownership and control rules imposed by the government. Perhaps, a clear case of protectionist tendency could be seen in the ‘liberalisation of the airwaves’ in South Africa after 1994. Despite opening up the media industry for foreign competition, content quotas and strict ownership were still enforced as detailed below:

![Content Quotas Diagram]

Fig.17: content quotas

Source: IBA Triple Inquiry Report, 1995

The above quotas are complemented by 20% foreign ownership limit in broadcasting. These protectionist practices can be viewed as a liberal resistance to globalization and commercialisation, which marked the entry of TNCs in the South African media industry. They were in essence, attempts to regulate globalization so that it can be determined by the local systems.

As mentioned earlier, COSATU’s engagement in NDR exemplifies how globalization is
radically resisted within the local versus global struggle. One of the issues raised by the unions about the government’s Gear was its focus on privatisation and foreign capital, which according to the latter drives global capitalism. However, what further complicates the unions’ actions was their repudiation of globalization while they actively took part in it on the other hand. UAM was counted amongst those companies to have dashed for international markets. Furthermore, the unions’ investment arm, MIC’s partnership with Primedia exposed it to the international markets. It was ironical that while COSATU and its affiliates were out there waging war against global capitalism, they have, through their investment arms and media firms, invested heavily in it. This confirms that as much as social movements are opposed to globalization, they actively participate and often make way for it. The success of UAM media cannot be detached from its global operations. Presumably, it is through globally-generated profit that it managed to take developmental initiatives. One interesting point that can be gathered from COSATU and its affiliates’ action is how local movements fight one side of globalization (importation) while accepting another (exportation).

Drawing from the contradictory positions above, the question then would be: What does these conflicts mean for the future of BEE? The question is prompted by the fact that globalization is an inevitable process, which takes place with or without our approval. This question will be answered by conflating the struggles for empowerment raised above.

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69 It partially or wholly owns radio stations and licences in Botswana, Zambia and Tanzania. The company’s Africa TV station operates in eleven African countries, including Madagascar and Mozambique.
70 Apart from its radio assets, music and cinema group, Ster-Kinekor, Primedia’s international ownership includes Ster-Century who cinemas are scattered throughout Europe and Middle East (Sunday Times Business Times, 07 February 1999).
71 Presumably through the finances generated in its global operations, COSATU’s UAM has established Siyaya Media Trust. The aim of the Trust is quite developmental, contributing to diverse skills for operation and management of media initiatives, and facilitating diversity in the control and ownership of information and entertainment and communication infrastructures. Projects that were earmarked include broadcast and journalism
Conflating the Two Struggles and the Politics of BEE

The previous sections of the chapter raised three important positions central to the struggle for empowerment. Within these positions, self-enrichment constantly emerged as a by-product and therefore deeply concealed within empowerment, particularly in the second phase. It then became a contentious issue, particularly with the attacks directed at BMF. According to Phinda Madi (1999), empowerment and enrichment are not mutually exclusive. "Enrichment", Madi continues, "can happen within the process of empowerment. The problem arises when the enrichment of the few supersedes the empowerment of the majority" (City Press, 2 May 1999: 13). Madi’s connection between empowerment and enrichment came to dominate the debate in the second phase of BEE. This position was sturdily advanced by BMF manifested through its support and encouragement of the government’s privatisation plan. This position was advanced despite the attacks BMF waged against the government regarding the slow pace of the process.

BMF’s unwavering position is interest-based in the sense that though it viewed the connection between empowerment and enrichment, it continued to shift radically towards enrichment as a response to the trouble-ridden empowerment. Consequently, it rendered BEE as “misleading because it suggested socio-economic improvement of the general black population, yet it called for the enrichment of the minority black capitalist class” (Mail & Guardian, 21 May 1999: p. 46). Closely linked to BMF is the government through its privatisation influenced by Gear. The position was further strengthened when President Mbeki made a vocal call for a black capitalist class, which would de-racialize the ownership of productive capital in the country. The last position advanced by COSATU was ideological. Apart from being opposed to both privatisation and globalization, it is also denounced enrichment as part of empowerment. Taken together,
these positions demonstrate how complex BEE discourse has become and therefore confirms Stuart Hall’s (1982: 80) belief that “discourse could become an arena of social struggle”. In this arena, power is exercised and resisted at the same time as an instrument of every struggle. Although the government appeared to have an edge over the other two institutions, as demonstrated by its ability to proceed with its policies amid the resistance and criticisms from COSATU and BMF, the influence of these institutions remains strong. Therefore, it is the combination of optimum power and resistance that will determine who wins the struggle for empowerment.

Having discussed various forms of struggles occurring in BEE at length, I conflate these struggles based on the positions raised above by answering the following questions: i) Is enrichment part and parcel of empowerment and therefore impossible to achieve one without the other? ii) Is there a need for a capitalist class for empowerment and how will this class differ from other classes have existed prior to it, which pursued their own interests at the expense of the ordinary people? And iii), given the wide scale privatisation process undertaken by the government in the name of empowerment, is it a good vehicle for BEE? Based on these questions, the outlined positions present tensions within BEE as described after 1994. Since these questions have been central to the empowerment debates, they have contributed to the uncertainties surrounding the initiative.

Inasmuch as I partly concur with Thabo Mbeki that, “ours is a capitalist society”, I totally denounce the formation of a bourgeoisie class as the road to empowerment. The fact that ours is a capitalist society does not necessarily mean that “we must”, as he says, “address this goal of de-racialisation within the context of the property relations characteristic of a capitalist
economy” (Sowetan, 25 November 2000: 47). Otherwise, we run the risks of recreating the inequalities that we want to address through BEE. In my view, a bourgeois capitalist class that Mbeki advocates is nothing more than a product of enrichment. Thus, while it was possible and perhaps, tempting to pursue economic empowerment within self-enrichment, there were more dangers to it than not doing it at all. One of the dangers, as mentioned earlier, is that enrichment carries with it the formation of classes or stratification in a society, which are difficult to eradicate later.

As Vusi Mona (1999: 13) pointed out, “there is nothing morally wrong with self-enrichment and taking advantage of new opportunities to create wealth for oneself and one’s family...However, what is at issue here is how such individuals go about acquiring their wealth”. Mona’s argument clarifies a very critical issue relating to when empowerment and self-enrichment have to be distinguished. In other words, there is nothing erroneous when individuals create their own opportunities to enrich themselves. However, it becomes morally unacceptable if these opportunities are created through empowerment and then individuals misappropriate them for self-enrichment purposes. Once this kind of misappropriation occurs, tensions will erupt, thus requiring the exercise of power. Since enrichment was not part of empowerment from its inception, it seems to have created problems, as already evidenced in the government/COSATU conflict. In other words, it may be open to loopholes for empowerment to be diluted and eventually replaced by self-enrichment.

The formation of a bourgeoisie class whether in socialist or capitalist economies creates economic inequality and can create a stratified society, a system that ‘inimical’ to democracy.

As McChesney (1997: 5) explains,
Democracy works best when at least three criteria are met. First, it helps when there are not significant disparities in economic wealth and property ownership across society. Such disparities undermine the ability of citizens to act as equals...

Based on the fear to create a stratified society, it becomes difficult to unconditionally accept privatisation as a vehicle for BEE. This difficulty is further added by the government's lack of a well-defined and transparent policy on how it will address joblessness after the completion of its privatisation plans. While privatisation can provide large profit for sustaining empowerment, it can be socially regressive (Splichal, 1994). This comes out of its ability to diminish employment opportunities. As long as privatisation creates unemployment in labour-intensive sectors, it will continue to fuel more conflicts between the government and trade unions and social movements.

The government on the other hand, found itself trapped in a precarious situation: either to follow what it considers to be an outdated, and perhaps, impractical socialist ideology and maintain their strong alliance or face reality by applying a capitalist models to empowerment and forfeit its alliance. Either way the government was likely to gain or lose something. The adoption of capitalist model would supposedly boost the ailing economy by bringing international investors. The assumption here was that once these investors bring in their capital, empowerment would be enhanced. Satisfying the alliance on the other hand, could have been another option for political gain. Economically, saving its alliance with COSATU was likely to have negative consequences, as economic growth could have been slower, thereby making empowerment somewhat unattainable. The government would again be faced with criticism from the same movements and the society in general for failing empowerment by not creating jobs. By taking decisions that seem to be unpopular with its allies, the government was attempting to protect its power as well. What we witness in this regard is the tension resulting from the government's
quest to increase economic growth on one hand, and the union’s pressure to protect its membership on the other, which is vital for maintaining and consolidating power.

Having said all this, the government cannot be exonerated given its privatisation-aided empowerment. Of the central issues of empowerment as alluded to in the previous sections is job creation. Apart from slow growth and rapid inflation, job creation is a major problem of privatisation (see also Duncan, 2001; Gurley, 1983). All these factors are inimical to empowerment. Assessing the scenario above, I fully share Gurley’s (1983) sentiment about the present role of the government today as influenced by various groups and factors, all having different ideologies driving them. These groups include the trade unions and social movements, business and powerful institutions like the IMF and the World Bank.

**Future Prospects**

As the struggle for empowerment continues, it becomes difficult to accurately measure the level at which BEE is gaining and suffering. Though it is premature and, therefore, difficult to draw a conclusion at this point, the following cases can in the meantime demonstrate some gains from these conflicts in shaping BEE both at the local and global level. In the early part of 1999, a leading player in the initiative, NAIL, was rocked by a share scandal involving its four directors. Apparently, they were proposing to incentivize themselves with shares totaling R130-million in AMB\(^7\) (Mona, 1999; *Sunday Times Business Times*, 9 May 1999). This move raised an outcry not only in business circles, but also in larger social spheres including, the media, who perceived the action as pure self-enrichment at the expense of economic empowerment. With the proposal widely snubbed, the minority shareholders disapproved of the move and the directors had it

\(^7\) At that time NAIL had a 53% shareholding. African Merchant Bank was amongst the companies unbundled.
withdrawn. In order to bring back the investor’s confidence, two of the directors resigned. The aborted move has since changed the way NAIL, as an empowerment company, operates. The change was seen in the implementation of buying practices that would also provide opportunities to other empowerment companies. This was a reaction to its previous monopolistic business conduct characterized by indiscriminate acquisitions (local and global) in the name of empowerment, and the establishment of an Empowerment Committee, whose main function is to analyze and disclose information on empowerment issues, including shareholding, within the company and its subsidiaries (Sowetan, 19 April 2000: 24).

At the government level, the conflict prompted the government to delay and even suspend some of its privatisation plans, which would have rendered many people jobless. As an example, although the privatisation of Telkom has been on the government agenda as early as 1997, it was yet to be fully concluded by the end of 2000.

Not only have these conflicts contributed at the local level. At the global level, the criteria for offshore listing were revised to encourage local investment. All these could not have been possible without these struggles. Again, the struggles have contributed immensely in eradicating the shallow conception of BEE by shaping and reshaping its direction in terms of defining and describing it.

Despite the positive contributions above, the struggles have also demonstrated their negative side by derailing the empowerment process. To be specific, the animosity and tensions characterizing BEE have since increased. The animosity and tensions have resulted in a lack of coordinated and

by NAIL at the end of 1999 as part of its restructuring.
coherent efforts to pursue this initiative. This manifested itself clearly at the first BEE Commission symposium (Randburg, 2000) by the absence of key role players. Having been postponed several times, the symposium was supposed to release a report on the initiative and chart the way forward.

At this time of struggles and conflicts, the government’s role will be of utmost importance not only to quell these conflicts, but also to ensure the success of BEE. If the events under discussion are anything to go by, the future of empowerment still hangs in the balance. The future will largely be influenced and shaped by the meaning of empowerment itself. If, for instance, empowerment is defined in terms of shift of ownership, the contribution of privatisation can hotly be debated given some of the problems raised earlier about the circulation of ownership within a few individuals. If it is in terms of job creation and SMMEs support, the opposite will be the end result, as seen throughout this study.

Conclusion

As much as BEE remains an important discourse in the post-apartheid South African economy, the chapter has proved that it is still a fiercely contested terrain. It is important to note in this chapter how empowerment has evolved over the years changing its meaning and direction. Despite the conceptual evolution resulting in various forms of struggles, one thing remains about BEE: its aim as a vehicle for the economic advancement of the historically disadvantaged people.

The conflict between the BEE firms, government and various movements over empowerment in this chapter attempted to demonstrate how ideology, as part of every formation, keeps institutions and movements together at one point and keeps them apart at another. It has further
shown how societies, though going through transformation, are still shaped by particular historical traditions. This signifies, therefore, that irrespective of the changes, societies are never broken totally from the past. Although ideology changes with time, it continues to determine power relations within societies as shaped by these historical traditions.

Finally, the local versus global struggle besieging BEE demonstrates the tension between territorialization and deterritorialization often synonymous with the media industries. In other words, the tensions discussed in this chapter demonstrate how the State, trade unions and business began to experience the pressure of globalization in their quest for economic empowerment. Not only does it demonstrate that BEE can no longer be strictly confined to the local borders, it further illustrates the perpetual shift in empowerment, thus showing the contrast between the first and second phases of the initiative. The second phase discussed fully in the next chapter indicates clearly that it does not matter whether BEE is carried out locally or globally. The interpenetration of the world system represented by the movement of local companies to foreign markets and the establishment of regional organisations to be discussed in the next chapter demonstrate that, “we can no longer”, as Garcia Canclini argues,

be able to live our lives entirely locally: our cultural experiences are pervaded by distant influences—the food we eat, the music we listen to, the landscapes, images and events we are familiar with on our television screens, our ability to speak by telephone to people on the other side of the world—all make our routine lives more ‘open to the world’ (Canclini, 1995: 229).

Although resistance will be offered as part of protectionism, globalization will continue to transform the spaces on which we communicate. Therefore, whatever the position, it would be proper not to “fight globalization, but strengthen the local within its context” (Adam Michnik-
interview).
Chapter 5

Restructuring for Survival and the Second Phase of BEE

Introduction

The end of the first phase of black empowerment and the raging tensions in chapters 3 and 4 respectively demonstrate that restructuring is not a voluntary process, but an inevitable response to a particular situation threatening one's survival in a market. Because of their dismal performance in the first phase, BEE firms had to restructure for economic reasons. The majority of these firms continued to falter in their quest to find their footing following their much-celebrated entry into the market after 1994. The fierce competition by non-empowerment companies and the challenges posed by unpredictable market conditions compelled these BEE firms to review their operating practices. The changed practices paved the way for the beginning of the second phase of BEE, characterised by alignment to the new market trends. As the previous chapter has shown, this shift left behind a lot of animosity amongst the different role-players in empowerment. Irrespective of the tensions, the chapter demonstrated how globalization continued to challenge BEE, thus marking the end of the first phase. Flowing from this, this chapter examines globalization as the second phase of BEE. This chapter construes this phase as an outcome of the restructuring processes undergone by BEE firms discussed in chapter 3.

It is important to mention that the time and manner in which the end of the first phase occurred in BEE groups differed quite greatly. In BEE groups such as Kagiso media and Dynamo Investments, this phase was manifested through the end of their economic relationship with historically white-owned media firms. The opposite is true for groups like Johnnic and NAIL
whose first phase was marked by the unbundling of non-core assets in an attempt to generate enough capital to focus and consolidate in the media industry. Again, the difference at this stage is seen in firms such as Midi e-tv, whose phase is represented by their forlorn quest to change their shareholding structure in an attempt to attract financially strong partners. Following the unimpressive first phase, the second phase of BEE began, thus changing the nature of BEE groups. As seen in the actions of companies such as Midi e-tv, the second phase further challenged the meaning of BEE, which was predominantly ideological and considered to be somewhat socialist originating from the political struggle (see also Moseneke, 1999). As this occurred, the chapter argues, BEE became adversely affected. At the end of the first phase, it was considered that the ideological meaning was somehow incompatible with the market in which empowerment firms were operating. The shift was therefore necessary for the survival of BEE as an initiative and the companies pursuing it. The need to shift was further enforced by global trends, which accelerated after the demise of apartheid in 1994. Although this shift was not well-received in some circles, its adverse effects became evident in the number of BEE firms taking part in global partnerships and the manner in which job creation continued to elude empowerment, lack of support for SMMEs and the limitations of empowerment in companies. These factors, argues the chapter, are the consequences of the commercialisation process underlined by these global partnerships and manifested through corporate expansion beyond the country’s borders.

Despite bringing about the detachment from historically white companies, the second phase continued to be economic-oriented and greatly influenced by global forces. Thus, contrary to the first phase, the local media market shifted from being a local space where only local companies competed to an arena where the local meets the global. As economic doors opened, foreign
companies entered the country's media market while local ones invested on the foreign markets. As part of transformation, this process can be seen as an outcome of the government's new policies to allow competition and enhance economic growth, often referred to as deregulation discussed in the section hereunder.

**Media Globalization as a Consequence of Deregulation**

Within the South African context, media globalization should be understood as part and parcel of the larger process of transformation resulting from the deregulation process. Thus, following the continual decline in economic growth and the shift in political power after 1994, the government wanted to bring private role players into the market to increase competition and attract investment. As mentioned in the previous chapter, the wider deregulation process in the South African media industry cannot be detached from the government's shift in economic policy which saw RDP sacrificed and eventually replaced by Gear. As Mosco (1996) explains, both governments and TNCs justify deregulation because i) it benefits consumers by bringing competition, ii) diminishes economic concentration, iii) is widely supported by the public, iv) lessens the economic role of government, and v) is inevitable as part of transformation. The government's actions were based on the economic hypothesis that its intervention and regulation impeded economic growth (cf. Herman and McChesney, 1997: 36).

In its quest to reach the desired goals of Gear, the ANC-led government became engaged in four consecutive and overlapping phases. Apart from being the manifestations of the ANC-led government's deregulation process, these phases became vehicles through which globalization has to pass. The first phase involved commercialisation. In this role standards were set to ensure competition in a profit-driven market. This eventually turned state assets, such as Telkom, into
profit-generating entities. The second phase was liberalisation or the process whereby the state intervenes to expand the number of participants in the market to enhance pluralism and diversity both at ownership and content levels. As part of this phase, more broadcasting licences and frequencies were allocated to private interests to increase the number of players in the market. This has to be interpreted as a quest to liberalise the airwaves on one hand, and to attract investment in the media industry on the other. The third phase was privatisation. In this process the government literally sold off its enterprises such as broadcasting facilities or telephone companies, to private entities. This was exemplified by the awarding of radio and television licences to private individuals and companies either through the creation of entirely new licences or the unbundling of the existing ones. The phase allowed for competition with the SABC while the Second Network Operator (SNO) is allowed to challenge Telkom’s long era of monopoly in the telecommunication sector. As discussed in chapter 4, privatisation became the source of the conflict.

Fourthly, the state became involved in internationalisation. This relates to the creation of strategic alliances through interstate coordination. Internationalisation eventually paves the way for joint ventures between the states, represented by the entry of TNCs as agents of media globalization. Internationalisation has to be seen as the government’s plan to attract foreign direct investment as key to overcome economic decline. As part of this process, state assets that have been operated on non-profit basis are partially sold to foreign companies to increase government revenues.

Drawing from these phases, it becomes quite clear that whatever way deregulation is looked at, this process accentuates the role of the government (cf. Mosco, 1990). This is also confirmed by
Picard (1989: 94), who writes, "governments put into place public policies that override or supplement the allocative decisions of market mechanisms, promote competition, and protect emerging industries". As Kenneth Thompson (1996) further asserts, governments have become paths through which globalization has to pass and travel.

Through the government's active involvement, it is apparent that globalization is not only shaped by deregulation, it is actually a consequence of deregulation. The ability of deregulation to determine globalization is further seen in policy-related matters designed and implemented by the ANC-led government. However, as Mosco (1996) noted with the phases described above, deregulation is more than a policy instrument. The government's role in deregulation is further is seen in the way it continues to determine the number of shares allocated to global companies, who want to participate in the local media industry, the TNCs' area of involvement in the economy and the general conditions underlying their operations including the demonstration of how they will contribute to empowerment.

The confirmation of deregulation as not being a complete removal of state control is also evident in the ANC-led government's ability to determine policies pertaining to market structure, behavioural aspects and technical aspects of the industry, as seen in the establishment of the IBA. This organization has to perform the following functions on behalf of the government (see also Croteau and Hoynes, 2001):

- Grant and renew licences,
- The management of broadcasting services and frequencies,
- Enforce laws and regulation,
- Monitoring the industry to ensure compliance.
Although the above function have to be performed independently of the government, the latter still plays a significant rôle in terms of deciding on the nature of licences to be issued, the share structure and so forth. The ANC-led government’s accentuated role in deregulation is further manifested through its shareholding in Telkom, Vodacom and the planned SNO licence through Transnet’s Transtel as mentioned in the previous chapter. The government’s participation in the above licences is shared with global companies such as UK-based Vodafone, US’s SBC, Telekom Malaysia and so forth who have taken over the shares as prescribed by the government.

To this end, it becomes evident that deregulation does not mean less regulation, but the accentuation of the state’s economic dimension to the industry. Therefore, deregulation is another set of regulations, which is different from the existing one. It is apparent that the industry and the state have mutual relationships making them central institutions to both media globalization and deregulation. The active role of the government in deregulating the industry cannot be understood outside of its political and economic interests which are embodied in its economic policies. By deregulating the industry, one can see, therefore, that the government, as Cane (1996: ii) writes, “has moved from being proactive policy makers to being the market policeman enforcing competition”.

As a response to a particular set of events, deregulation should never be mistaken for total or pure freedom from government intervention. It “serves as a cohesive mythology around which those who would benefit from these short and long-run interest might rally” (Mosco, 1996: 48). For that reason, “it is not important how a particular area of culture is de-regulated, but when,
and how and why does it shift from one mode of regulation to another” (Thompson, 1996: 230). Whatever happens, the relationship between the market and deregulation, as shaped by the government, remains important because markets do not operate on their own (see Thompson, 1995: 229). As shown in ICASA’s role and function, the media markets require to be set-up and constantly policed and hence they depend on other social and cultural conditions of existence. Otherwise, as J.B. Thompson’s (1995) statement implies, anarchy or total collapse would be the end-result. As government agents, regulatory bodies such as ICASA are very important in deregulation to safeguard the public interest and the smooth running of the market itself.

As a consequence of deregulation, globalization in the media industries takes various forms: information flow, transnationalisation and the deployment of technologies. These forms do not only demonstrate the active role of the government as a key player in deregulation, they further reflect the government’s economic policies. Over the years, these various forms of globalization were understood in terms of depicting the economic disjuncture between the North and South\(^{73}\) (see also Nordstreng and Varis, 1974), based on the diffusionist assumption that politically and economically strong countries offer their aid to the less developed ones. It was considered to be a temporary arrangement to boost the countries in the South. Unfortunately, what was supposed to be a temporary arrangement\(^{74}\) turned into a permanent one as these globalization forms

\(^{73}\) In terms of this distinction, the North represented the centre and location of economic power. This was used to refer to countries from Western Europe and North America. The South on the other hand, is often associated with Third World countries, particularly in the Southern Hemisphere, considered to be on the periphery of technological development and economic power.

\(^{74}\) The birth of Kagiso media, a subsidiary of Kagiso Trust Investment (KTI), provides a good example of dependency as a temporary measure. Having been founded on the European Union’s funds for special programmes, channelled through Kagiso Trust, today Kagiso media is hailed as one of the major conglomerates in the broadcasting sector. The company has won the BusinessMap’s ‘Best Black Empowerment Performer award’ on the JSE (Sunday Times Business Times 11 June 2000: 24). This comes out of the fact that the money that it managed to generate through its assets and sales have been properly channelled to various community projects such as education, agriculture, small business development, tourism development, handcraft projects and so forth, as entailed in its 1999 Annual Report. With handcraft projects, jobs are being created in the informal sector for the disadvantaged communities especially underdeveloped areas. Kagiso’s case demonstrates the following: firstly, that funds
became fully entrenched on the local markets. Thus, Third World countries continue to rely on this arrangement "even where the alternative course of action are available" (see also Boyd- Barret, 1982: 174). It is through this linearity that the dichotomy of the core and periphery emerged in every debate involving globalization. The result was that there were desperate attempts by Third World countries, through the establishment of the New World Information and Communication Order (NWICO)\(^7\) in the 1980s, to curb it. However, as shown in this chapter, the globalization process has moved beyond the South versus North, as symbols of periphery and core, to regions including the peripheries where new centres are beginning to emerge (Dunn, 2001). In this scenario, the process is driven and legitimised by regional organisations such as the European Union (EU), the Organisation of African Unity (OAU) and the Southern African Development Community (SADC). Apart from creating regional integration, these organisations, as Sheth (1992) explains, have attempted to develop regional and borderless economies. Though much criticism has been offered about the creation of these new centres in the region as the re-creation and perpetuation of domination, the practice is unlikely to stop because of the economic disparities between the countries within these regions.

Irrespective of this changing paradigm within globalization, information flow,

\(^{7}\) The New World and Communication and Information Order (NWICO) was an attempt by the Non-Aligned Nations (NAM) comprising over 90 members from Third World countries to challenge the inequalities in the global media system. Though NWICO debated its issues at world forums such as UNESCO and the World Bank, it was never successful because of the lack of support from active and leading participants of global media systems, in particular, the U.S., Japan, and Western Europe. As a sign of their discontent with NWICO’s objectives, the U.S. and Britain withdrew from UNESCO in 1985. The withdrawal clearly shows the determination from the First World to protect their own economic power and interests. After the U.S. and Britain’s withdrawal, NWICO became ineffective as its supporters were divided, with those benefiting from the U.S. and Britain taking a somewhat ‘lame’ position. NWICO was formed not as a radical opposition to globalization per se, but as an attempt to create equal opportunities for all the countries to participate in the global media market. Hence much of the campaigns, according to Herman and McChesney (1997: 24), were “begging operations, asking western media firms to curtail profitable operations and western governments to donate capital for Third World communication investment...”).

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transnationalisation and the deployment of technology explain media globalization as an extension of economic power driven and shaped by commercial interests. Information flow involves the exportation of media products such as television programmes and newspapers for international markets. It is viewed by J.B. Thompson (1995) as a structured process and as an outcome of various historical and economic factors. It is therefore a reflection of a legacy of international media conglomeration encouraged by lack of resources and unadvanced technology of the media in the South. However, it needs to be emphasised that information flow is very complex, as it is shaped and modified by differences or affinities of language and cultures between countries and media production capacity and the wealth of national systems. Therefore, as Mowlana (1997) points out, a study of information flow is another approach to the study of international relations, because it involves studying the interdependence between governments and states. This is confirmed by J.B. Thompson’s (1995: 162-3) argument that,

\begin{quote}
    it has long been recognized, however, that the international flow of media products is a structured process in which certain organisations have a dominant role, and in which some regions of the world are heavily dependent on others for the supply of the symbolic goods.
\end{quote}

The complexity of information flow is further marked by the different rates at which information flows between countries, regions and continents, thus explaining information flow as a dynamic process. Again, information flow differs among media forms. Media sectors such as print and motion pictures are likely to indicate high levels of information flow presumably due to the concentration of news agencies, wire services and film companies in western countries. On the other hand, this might be the opposite in broadcasting, where stringent measures relating to content quotas are often applied in South Africa and throughout the world. In this regard, the level of information flow is low.
Transnationalisation occurs when large-scale mergers and takeovers take place between media conglomerates. Transnationalisation describes a process in which media conglomerates expand their operations beyond their countries of origin. It is, in essence, part of Mosco’s (1997) spatialization or corporate extension, which takes place through vertical or horizontal integration.

This, as Mosco (1997) explains, is manifested in the expansion of media firms into different countries and regions, led by TNCs. Thus the majority of TNCs dominating the local market such as Pearson, ING, Time Warner, SBC Communications, Siemens AG and Vodafone are extensions or subsidiaries of conglomerates based in the different countries of the Northern Hemisphere. Transnationalisation is connected to information flow. The connection between them lies in the fact that transnationalisation lays the foundation for other forms of media globalization. As J.B. Thompson (1995: 161) asserts, “transnationalisation has also led to the formation of extensive, privately controlled networks of communication through which information and symbolic content can flow”.

The deployment of technology, especially with the introduction of computers and telecommunication, can be viewed as an attempt by TNCs to facilitate rapid movement of capital across borders. Therefore, the deployment of technology contributes to the general process of commodification carried out by TNCs to improve on channels of communication. This is done by TNCs as a strategy to save time and labour in their quest to maximise profit by widening their international businesses.

Although showing the differences in their occurrences, these forms of globalization are interlinked, as seen in the way they facilitate each other. For example, transnationalisation deals
with institutional matters relating to ownership and control as corporate extensions. These corporate extensions bring with them the deployment of technologies to increase production. Following this, TNCs improve their output through the deployment of new technologies, which are considered to be absent in their newly-found market. As mentioned earlier, the deployment of technology depends on technological advancement of the market in general. If the technologies within the market were found to be outdated, the technological change would be slow and less effective. One thing that drives the usage of this technology is the desire to increase production output at a very reduced cost. It is important to mention that the link between these forms of globalization is not obvious, as seen in their different manifestations in South Africa. In other words, although these forms of globalization overlap, transnationalisation is the stage that seems to have gained momentum after the transitional period with the government-driven restructuring of the media in 1994. This is evidenced by the acceleration of major transactions involving BEE groups and global companies since 1994 and how they changed the face of the South African media industry. As a result, this chapter focuses on transnationalisation. This is relevant to empowerment since it touches on issues relating to media ownership and control, which are vital for analysing the way the second phase of empowerment is changed by globalization.

Prior to 1994, there was an economic embargo imposed by the international community on South Africa because of its apartheid policy. While the economic embargo was still in place, TNC’s such as CNN continued to broadcast in the country via satellite. In print media, agencies such as Associated Press (AP), Reuters, CNN and BBC continued to offer news to South African newspapers. This demonstrates how some media information can, despite the accentuated role of the state, flow beyond its control (Thompson, 1996).
The state’s intervention in globalization is reflected at policy level through which takeovers and joint ventures are allowed to take place, as shaped by institutions such as the IBA and JSE. What has been evident in all the deals classified under takeovers and joint ventures was the capital power showed by global firms, which somehow created inequality within empowerment companies. The creation of inequality arises from TNCs’ desire to make partnerships with well-established BEE firms. As this occurred, the gap between Johnnic, for example, and other SMMEs widened, thus turning empowerment into a closely contested initiative between a few media conglomerates competing for profit rather than empowerment.

Although the capital injected by the TNCs into empowerment was good for the survival of the initiative, it was viewed in other circles as the reincarnation of the old media dependency problems between North/South, First World/Third World. The relevance of media dependency in this discussion presumably lies in the active role played by TNCs such as Time Warner, Pearson plc, O’Reilly’s Independent Newspaper and so forth in “spreading their output throughout the global economy” (O’Sullivan et al, 1994: 74). Given the influential role played by media companies, writes O’Sullivan (ibid.), “the process is often referred to as media imperialism”. Media dependency is not actually media imperialism, as is shown by the interaction between BEE firms and TNCs in South Africa. In other words, TNCs did not impose their power on BEE firms. With media dependency, deregulation allows these TNCs to operate within the country. This is done under the assumption that they will bring about economic growth or strengthen empowerment by injecting the necessary capital into the initiative.

The media dependency description is used to distinguish this process from cultural imperialism.
or "the ways in which the transmission of certain products, fashions and styles from the
dominant nations to the dependent markets leads to the creation of particular patterns of demand
and consumption which are underpinned by and endorse the cultural values, ideals and practices
of their dominant origin" (O'Sullivan et al, 1994: 74). The negativity denoted by the concept of
imperialism makes the term unsuitable for this process. As Boyd-Barret (1982: 174) confirms,
imperialism 76 is often associated with 'territorial annexation' or 'imposition' of some sort. In
other words, there seems to be willingness on the part of the state to allow TNCs to operate, thus
turning deregulation into another kind of regulation to monitor globalization. The attempt to
regulate media dependency has to be viewed in terms of the government's desire to balance the
protection and elevation of the local cultures through local content quotas and strict limitations
on foreign media ownership and the quest to attract foreign investment in the media industry.

Though a complex process, media dependency has to be viewed as an end-product of
globalization, appearing in the form of joint ventures (partnerships) and takeovers or
acquisitions. As mentioned earlier, the complexity of media dependency lies in the way it differs
from one country to the next. 77 While in some other countries the central criticism revolves
around infrastructure, others have content related problems. For those with content problems,
media dependency is a dicey situation in that they have to choose between resisting dependency
and spending a lot on programmes and film productions, and being dependent on cheap imported
programmes, which saves on production costs. Once this occurs, media dependency is likely to
be overtaken by media imperialism. For infrastructure-based problems, such as facilities,

76 Imperialism is, in Marxist terms, an inevitable outcome of capitalism, which can only be superseded by
international socialism (Boyd-Barret, 1982).

77 According to McQuail (1994: 180), "an additional feature of the situation is the fact that international news is
often gathered in the South by correspondents from the North, where it returns to be processed and edited before its
resources and the technology to carry out the service, media dependency is hard to overcome. None of the above seems to be relevant to empowerment. This is exacerbated by the dominance of foreign materials in the South African broadcast market, thereby compelling the IBA to enforce these quotas in an attempt to promote local cultures. To empowerment, only foreign ownership seems to be more relevant. This is because of the huge investment benefits that it can bring to the media industry in general and to empowerment in particular.

Drawing from the three dimensions (information flow, deployment of technology and transnationalisation) through which globalization occurs, media dependency seems to be everywhere. The only difference is the degree of its occurrence. In brief, as deregulation opens up media markets, leading companies emerge even within the periphery. In this regard, an economic power shift occurs from the North/South dichotomy to South/South where the regional blocs become institutions through which globalization is negotiated. The shift in media dependency poses serious challenges to BEE as a local initiative. As communication spaces become realigned, the closeness between the countries at both regional and state levels in terms of political history, cultural affinities and patterns of economic trade between nations becomes greater. Confirmed by some of the cases below, it is no longer adequate to investigate the impact of media globalization on empowerment. There needs to be an examination of how

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As an example, South Africa has, since the downfall of apartheid, become an active and a dominant role player in the Southern African Development Community (SADC) region. Due to its role as an economic powerhouse, it has an influential role-in the region. It is not surprising South Africa's SABC and M-Net remain important television broadcasters for Botswana. Other countries in the region like Namibia and Zambia also receive the SABC (cf Kandji, 2001; Banda, 2001). South Africa's case resembles what Dennis McQuail (1995) refers to as 'intra-peripheral dependency' in that though South Africa is in itself peripheral by depending on the centre, there are others within the region who depend wholly on it. In this case, dependency takes three stages instead of the normal two: centre, periphery and peripheral-centre (see also Dunn, 2001). What becomes evident also is that, contrary to the popular multilateral flow of media content that characterises global media, the SABC's case takes a bilateral one with content flowing across frontiers to neighbouring countries or former colonies such as Namibia. Unlike the bilateral flow of information, the multilateral flow is not intended to go in any direction, but to large numbers of consumers in different countries (see McQuail, 1994).
empowerment shapes globalization as well. This shift, therefore, requires revising the effects of globalization and moving from a receptive to an integrated model comprising the dispatcher model (Boloka, 2001).

The section below discusses globalization as the ability of TNCs to take opportunities created by deregulation to expand their commercial interest. The cases hereunder demonstrate that as transnationalisation intensifies, spaces and distances matter less and therefore become relics of the past (Thompson, 1995). As Mosco (1997) confirms, these cases represent an institutional or corporate extension from which profit can be maximised by using different strategic alliances through mergers, joint ventures and acquisitions, as apart of integration. Representing transnationalisation, the joint ventures and total takeovers (acquisitions) are critical ways in which globalization predominantly occurs within the South African media industry.

The Takeovers and The Independent’s Appearance

The emergence of O’Reilly’s IN exemplifies transnationalisation as an outcome of deregulation or simply the government’s attempt to attract foreign capital. Apart from signalling the transformation of the South African print media from a purely local-owned industry, the ING’s case demonstrates the economic power of TNCs. This arrival changed the state of the South African media in terms of ownership and control as blacks assumed senior roles as a fulfilment of affirmative action. It is important to note that as much as O’Reilly instituted affirmative action, his initiative was an economic ploy to entrench his position in the South African economy without creating rifts between his business and the government. In other words, O’Reilly knew of South Africa’s racial inequalities. Since affirmative action was legislated and spearheaded by the government, O’Reilly could not just ignore the call. As shown in the previous chapters,
O'Reilly's case demonstrates the ability of TNCs to respond to external pressure, especially if that pressure comes from the government (cf. Madi, 1997). However, the response of the TNCs cannot be detached from their economic interest. Interpreted within Murdock's (1982) perspective, O'Reilly's action can be seen as part of the general strategy to consolidate and further pursue the interests of 'individual capitalists' while establishing a good relationship with the government. For O'Reilly, the relationship with the government is necessary and very important for corporate expansion. As Mpofu (1995: 82) writes, "O'Reilly has made it clear that he invested in the Argus company for the sole purpose of maximizing profits". Without profit, as this statement clearly states, O'Reilly would not have invested in the country. This further confirms the point made earlier that, as part of commodification, capital remains the driving force behind globalization.

A further confirmation of O'Reilly's actions as pure 'individual capitalism' was his tendency to keep the allocative responsibilities of the company while leaving the operational control to black managers. Through this arrangement, he determined the budget and the direction of the company. Apart from the newspapers inherited from the Argus group, O'Reilly's investment brought with it other newspapers on the market, namely, Sunday Independent, Sunday Life and Business Report. Business Report appears in many of the ING's publications. This further explains size as a critical factor in corporate extension. Although ING is not actually an empowerment group, according to its Chief Executive, Ivan Fallon, it has taken a more meaningful step in empowerment by allowing black groups to acquire minority stakes in the regional titles of the company. This was further reflected in the inclusion of staff as shareholders of the company as well (Sunday Times Business Times, 14 March 1999). After buying out all

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79 This was an economic ploy to compete with TML's Business Day and Sunday Times' Business Times.
other minority shareholders in Argus Newspapers, O’Reilly went on to de-list the company from the JSE. Taking the behaviour of transnational companies into account, this was not done without purpose. O’Reilly’s action qualifies to be interpreted as an economic strategy because, while responding to external pressure by allocating minority shares to black groups, he managed to protect his control of the company.

Despite changing the management structure, the appointment of blacks to senior positions confined empowerment to the personnel level rather than to a broader social level. Though this can be heralded as a positive contribution to empowerment, it has its own side-effects, in particular the concentration of empowerment on a smaller scale (workplace). As mentioned earlier, O’Reilly’s practice can be viewed as a continual concentration of empowerment within the first stage of ownership and control without filtering through to other stages as discussed in Madi’s (1997) modern approach to empowerment. Despite responding to the government’s pressure, O’Reilly’s intentions to maintain the company’s allocative powers were revealed by the de-listing of the company from the local stock exchange. This action was also made possible by the fact that, despite exerting pressure on TNCs to comply with empowerment, the print media was not a strictly regulated sector. Hence it was relatively easy to take over Argus Newspapers.

**Joint Ventures**

As part of transnationalisation, this phase deals with the partnerships between BEE groups and their foreign counterparts. Because of apartheid, South Africa’s media companies were, to a limited degree, confined to the country’s borders. After the lifting of the economic embargo by

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80 Jane Duncan (2001) alludes to this point when she mentions that media institutions in South Africa ‘talk left’ and ‘act right’. In other words, though media institutions in South Africa claim to have transformed, unemployment continues to rise and nothing is being said about it.
the international community, they lacked the necessary global exposure to carry their business offshore. To add, there was also suspicion from BEE companies about offshore investments. On the other hand, global media conglomerates were reluctant to make partnerships with BEE groups since most of the firms were small and without any history in the market. The suspicions from BEE groups could be attributed to many factors such as the initial ideological inclination, influenced by the quest to maintain black identity as part of empowerment. It was probably thought that by going global, this feature would be eroded. Though driven by the state, taking part in globalization partnerships in BEE groups became relatively slow as there seemed to be a fear amongst BEE firms of the ‘foreigner, who might take over our industry syndrome’. This was contrary to non-empowerment groups such as Naspers and Dimension Data (Didata), which used this opportunity to expand their businesses to the international market.

The suspicion and the fear amongst BEE to take part in globalization can be seen in NAIL’s actions. Despite being amongst the leading supporters of the globalization process, as explicitly articulated by Moseneke (1999), NAIL’s participation had reservations. Rather than taking the opportunity through their connection with Naftech, they only increased their stake to 50% as the section below demonstrates. In other words, though the company wanted to go global, their attachment to the local market remained strong. Their attachment to the local market was further proved and consolidated by its partnership with a locally-based financial service provider, Sanlam in 2000 (Mokoena, 2000). The deal followed the R800-million share swap deal with banking group, BOE, in 1999. As opposed to NAIL, Sanlam is “seen by some in the industry as a more patriotic entity trying to expand within the local market” (Mokoena, 2000: 2).81

The section below looks at a number of BEE groups that were involved in joint ventures with

81 The NAIL/Sanlam deal was not the first one to take place between the two groups. The first one occurred when
multinational companies to demonstrate globalization as corporate extension and as a mutually constitutive process. The mutual constitution is shown by the multidirectional nature of the transactions seen in the fact that not only were foreign companies investing on the local market, but the BEE firms were also making inroads beyond the borders. It is also imperative to analyse how these joint ventures were shaped by the government through legislation and policies not only to boost BEE, but to further ensure that they bring foreign capital into the local market. The analysis includes companies such as NAIL, Johnnic’s TML, AME, and Midi-etv. The NAIL, Johnnic’s TML and AME joint ventures denote the level of control allocated to empowerment in the global markets.

Since its foundation, NAIL has proved to be a trendsetter in the BEE initiative. In 1997, the group increased its investment in Naftech by R31 million in order to maintain its 50% stake. In order to pave the way for international investors, the company discontinued its popular N-shares $^{82}$ as it was alleged that they were unpopular among foreign investors. This action further confirmed Moseneke’s earlier assertion that a “principally black investor base is practically impossible” (Moseneke, 1999: 9). Therefore, because of the limitations of a black shareholding base, companies have to expand their commercial interests beyond the country’s borders. As part of its second phase, the group continued to restructure in an attempt to establish itself as a focussed and competitive global player.

NAIL’s participation into the global market and its investment in Naftech differs slightly from

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$^{82}$ The building blocks of these shares were disadvantaged groupings who could not afford A-shares. It is quite amazing that whilst NAIL discontinued the N-shares, another Afrikaner group, Naspers was making incredible strides on the JSE with N-shares.
other deals discussed in the study, both joint ventures and takeovers. In my view, the move confirmed its Executive Director Dikgang Moseneke’s view about the lack of capital in black hands, highlighted above. The venture is different for the following two reasons: i) it places NAIL’s mission clearly not actually as a media company, but as a company with focus in financial services as further demonstrated by its partnerships with local conglomerates such as Sanlam and BOE, and ii) most of the deals discussed in this study were linear in that global companies came to the South African media market. This is the opposite in the sense that NAIL is increasing its stake into the global market and using Naftech to achieve that. Again, NAIL’s case is different in that most of the deals discussed in the study have South African media firms on the receiving-end of capital from TNCs. These capital manoeuvres confirm the importance of demystifying globalization as exemplifying a North/South distinction, and showing it to be mutually constitutive instead. For empowerment, this means that it could no longer be driven by purely local imperatives influenced by ideologies, but by commercial interests. In this regard, the broadening of the initiative through the creation of jobs and allowing more shareholders from disadvantaged groups was gradually being eroded.

Another joint venture case resembling NAIL involves African Media Entertainment Limited (AME)\(^{83}\), a focussed media, event management and entertainment company. In 1999, AME acquired a 57% stake in an Australian company named Staging Connections Limited (*Sunday Times Business Times*, 7 March 1999). The acquisition, which cost R54, 74 million, was considered to be a significant offshore investment by an empowerment company. The move was followed by the selling of the company’s 20% interest in the US-based licencing company:

\(^{83}\) AME had amongst its assets Punt Geselsradio, which it disposed of in 2000 to an unlisted information technology company, Orbitech. The continual loss for the Gauteng and Western Cape broadcasting station was cited as the reason behind this move (*Business Day*, 2 August 2000).
Ticketmaster, in which R35.5 million was generated. Although these global deals allowed AME to assume control and generate cash, which is vital for its sustainability and its empowerment aspirations, the basing of these companies in the foreign markets did not help in terms of job creation and increasing the participation of historically disadvantaged groups. This further confirms the shift in the aims of empowerment in the second phase. They are, in other words, part of institutional extensions to increase in size, measured by assets, profit, revenues and share value.

Both NAIL and AME’s cases demonstrate the active role played by empowerment companies on the global markets. Thus, the two cases show clearly what globalization actually is. Instead of seeing globalization as a uni-directional movement from North to South, the two cases depict it as resembling what Braman & Sreberny-Mohammadi (1996) refer to as an ‘interpenetrated’ process. Thus, the global and the local are mutually constitutive and therefore in dialogue with each other. As Mosco (1997: 205) opines, globalization has to be seen as the transformation of spaces rather than the elimination thereof. These spaces are important for the flow of communication.

Johnnic remains the second most influential role player in BEE to have taken economic opportunities to invest in global markets. Its role as a global player can be investigated through its subsidiaries namely, TML and Omni media. Johnnic also has a 10.4% stake in MIH Holdings, a company that has interests in Amsterdam-based OpenTV. Although the shares were disposed of in the early part of 2000, they gave the company access to foreign cash (Company’s Annual Report, 2000). However, this move could be viewed as a reflection of BEE firms’ suspicion of the foreign market, as pointed out earlier. Thus, despite high profit prospects, Johnnic saw it necessary to divest from the foreign company to consolidate its position within the
local market.


To further increase its participation in the global markets, TML sold some of its shares to I-net Bridge Ltd, which bought into the arm, Bridge Information System and Dimension Data Holding. In terms of the agreement, TML would hold an effective 37.5% of the equity of this new company and it would get R50 Million in cash.

The central point in TML’s global partnership lies in Blakenham’s (Business Day, 24 January 1997) statement above. In terms of this statement, Pearson was willing to bring international news and analysis to complement the Business Day. Undoubtedly, this could be seen as a positive step towards empowerment, as Business Day would benefit TML by having access to international stories without paying heavily for them. On the other hand, this partnership would benefit the local firms by exposing them to international readers who may turn out to be potential investors. The Pearson plc/TML deal demonstrates to us that “the global and the local should not be conceived as two distinct, separate and opposing realities, but as complexly articulated, mutually constitutive” (Ang, 1996: 153). In other words, instead of focusing on where the global
is different from the local, we should be concerned with how the local is in dialogue with the global. Featherstone (1990) makes this point clear, commenting that it is better to think of global integration rather than in terms of complex polarities of the ‘global’ and ‘local’.

However, the positive elements above do not suggest that such corporate extensions are not without pitfalls. As much as the deal offers international news and analysis, the question is: From which angle will this analysis be made? Will it be from an international perspective? These questions are vital in dealing with the purpose of information flow or media dependency. They are also triggered by the negative manner in which countries in the periphery are often represented within international media (see also Hawk, 1992). So the problem with this arrangement occurs if the flow of news and analysis are uni-directional. In that case, media dependency would override the mutual constitution of the global and the local, therefore undermining empowerment.

Midi e-tv’s relationship with Time Warner\textsuperscript{84} represents another joint venture resulting from the deregulation process. Being involved with a media giant like Time Warner, one would have thought Midi’s e-tv would reach high levels in which it would be able to compete with the likes of the SABC in the country. The question is: What happened since the commencement of such a partnership? In answering this question, one would be providing a clear picture of the impact of globalization on BEE. As part of BEE, Time Warner was supposed to consolidate its partnership with Midi e-tv in making sure that the latter was supported through the provision of good materials to attract audiences. Apart from demonstrating the interaction between BEE firms and.

\textsuperscript{84} Formed in 1989, Time Warner is today one of the largest media corporations in the world. With interest in every medium, Time Warner, a holding company of Warner Brothers, has over the years devoted itself to producing programming and channels rather than developing the entire systems. At the same time, Time Warner had a
TNCs as part of the mutual constitution of the local and the global, the case is a further reflection of the commercial drive directing the second phase of empowerment. It remains clear that by investing in an empowerment company, Time Warner has not shifted from its mission a few years ago, as articulated by its former head, Steven Ross:

Time Warner stands for complete freedom of information. National frontiers are a relic of the past: the new reality of international media is driven more by market opportunities than by national identity. We are on the path to a truly and open competition that will be dictated by consumers' tastes and desires. It is a world in which the consumer is truly sovereign (in Robins, 1995: 251).

Apart from stating clearly Time Warner's statement mission, Ross further clarifies the aims of global media, which his company represents. Firstly, he talks of what drives international media and secondly, the role that consumers play in determining the direction of global media. The last point resembles the one raised by Herman and McChesney (1997) about the treatment of audience as consumers. These joint ventures should be understood in relation to the mission and vision of the TNCs embodied in the quotation above.

The disjuncture between the Time Warner/Midi e-tv and Warner Brothers/M-Net deals raises further questions about restructuring the South African media for globalization, in particular the meaning of BEE for TNCs and whether empowerment, based on this case, can be realised amidst globalization. This is a difficult, yet crucial issue that should not be ignored by the supporters of BEE. The issue has been provoked by actions such as the de-listing of the ING from the JSE and the application for the employment of BEE at management level within ING. Despite partnership with Naspers through their investment in Amsterdam-based OpenTV.
de picting the mutual relationship between BEE firms and TNCs, none of these actions contribute seriously towards job-creation and therefore impact negatively on the prospect of creating capital within historically disadvantaged people. In the midst of the shrinking advertising market, the challenges posed by joblessness are too big to be ignored (Duncan, 2001: 1). The shrinking advertising market indicates that joblessness does not only affect the general public, but also these companies which are owned or co-owned by these TNCs. Thus, since they mainly survive—on advertising, the shrinking advertising market means fierce competition amongst these companies, manifested through vigorous sales and marketing strategies. However, sales and marketing are useless as long as disposable income or buying power is non-existent within the public. Buying power can be described as the consumer’s ability to purchase goods in exchange for his/her available cash. Generally, cash in consumers’ hands is derived from earned salaries. The scarcity of jobs reduces disposable income, therefore, as mentioned earlier, the creation of capital amongst historically disadvantaged groups become impossible.

The above joint ventures have one thing in common, which can be seen as a force behind them: it is often assumed that capital accumulation will be injected into empowerment. Whether the money generated from these global partnerships was channelled towards ‘real’ empowerment remains a question. After going global, TML incentivized key personnel by allocating shares to them (Sunday Times Business Times, 16 April 2000). Though this could be interpreted as empowerment, it did not seem to be so in view of the company’s probable race ratio, including the senior executives, Allan Greenblo and Peter Bruce (Goga, 2000). This practice might suggest therefore that though some capital was generated, empowerment was serving only a limited few at the company. Therefore, the practices continue to reflect the way in which empowerment is being distorted by serving a few individuals within companies.

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As corporate extensions, both takeovers and joint ventures resulted in the creation of conglomerates whose power can be measured by assets, revenues, profit, employees and share value is difficult to control (Mosco, 1997). In this regard, it is important, therefore to see the significant role played by size, emanating from vertical and horizontal integrations. Even before being involved in partnerships with local empowerment companies, all the vertically integrated global firms mentioned above were of incredible sizes with more than 10 billion US dollars turnover (see Herman and McChesney, 1997). In other words, size determines who takes part and where to take part in the global market. As an end-product of conglomerations, vertical integration can be viewed in the media industry as a yardstick of concentration. This can be reasoned in two ways: i) vertical integration is in itself market domination, and ii) in terms of orthodox Marxism, vertical integration is an outcome of capitalism (see also Boyd-Barret, 1982).

Since power is attained through capital, vertical integration becomes an instrument of power within the media industry. In short, vertically integrated companies have the capability of building their own empires within the market. In doing so, small companies are integrated. Consequently, barriers to entry are deliberately increased while competition is reduced.

Size is encouraged by the globalization myth that big is better (Ferguson, 1992). In this regard, it is assumed that the bigger a company is, the better its chances are of becoming competitive, thus, generating enough capital. Furthermore, it is interesting to note that the global firms discussed above, were not making joint ventures in South Africa, let alone with empowerment companies only. As an example, Time Warner has diverse interests in different countries and regions (cf. Herman and McChesney, 1997). These interests are made possible by its joint ventures and long-term strategic alliances with other global conglomerates such as Japanese
Sony, U.S. News Corporation, Germany’s Bertelmann, New Zealand’s Sky Network Television and South Africa’s film and television distributor, M-Net\textsuperscript{85} (see also Herman and McChesney, 1997). Given these examples, the joint ventures and takeovers were part of the attempts by the global media firms to pursue their own commercial interests as described in Mosco’s (1997) commodification process, often achieved through increasing the size of the company.

In their quest to pursue their commercial interests, TNCs have to gain access to the local market through locally based firms, which is required by domestic legislation as evidenced by the Time Warner/e-tv arrangement. For BEE media firms this is done on the pretext that global firms such as Time Warner, Pearson plc will inject capital into the local industry, so that they can get the audience in return. Though TNCs have managed to gain access to their desired audience, capital flow has not been without difficulties, as shown by e-tv in the previous chapter. Thus, despite the company having a multi-million Rand partner alongside it, e-tv continued to experience financial crisis, hence it was desperate to change its shareholding structure to a tobacco giant, Rembrandt in 2000 (City Press Business, 9 April 2000; Sunday Times Business Times, 12 March 2000). However, the partnership was contested with ICASA as the regulator viewed it as undermining empowerment following the need to change the shareholding structure. As a result, it becomes apparent that though perceived as capital carriers, TNCs do not use it without reservation.

\textit{Drawing from the above discussion, the number of companies involved in BEE that took part in...}

\textsuperscript{85} Having been established during apartheid (Collins, 1993), M-Net is today one of the largest film and television distributors with broadcasting licences in Africa and Europe, in particular Spain and France.
global partnerships was relatively small. This small number, therefore, confirms Mosco’s (1996) idea that deregulation is a myth. This is because while it claims to increase competition, lessen government control, benefit consumers and diminish concentration, the opposite actually occurs.

In terms of the discussion above, it becomes evident that deregulation has largely benefited conglomerates such as NAIL, Johnnic and so forth not to pursue empowerment, but to expand their businesses. In other words, the process benefited some BEE companies in the same way as historically white-owned companies, such as Naspers’ M-Net.

As only a few BEE companies participated in global markets, it became apparent that at a global level, the deregulation process seems to have created a division between companies which can afford to participate, own or control and those which cannot, both in BEE and in the media industry in general. This reveals the competition myth. This myth consists of the fact that, while deregulation promises competition, it actually consolidates the power of established conglomerates. The fact that many of the BEE groups were not listed meant lesser participation in the global market. As mentioned earlier, the companies’ listing problem could be attributed to their size and their lack of international connection and exposure with regard to capital.

While conglomerates continued to increase their market share, which brings with it large sums of money, SMMEs remained dominated and without capital. Considering the importance of SMMEs as the cornerstone of BEE, this domination does not augur for the future of empowerment. The small number of global deals involving firms discussed above further indicates that as much as the government intensified transnationalisation, not all media companies in South Africa could really go global. Although the decision to invest in global
markets rested with the individual companies, it required international exposure and capital.\textsuperscript{86} Capital enables the corporations to compete and stand against well-established companies. Given the size and the nature of BEE groups, competing with conglomerates such as Bertelmann, New Corporations and Sony was indeed a mammoth task.

Although they are institutional extensions, global joint ventures have one added advantage, which largely benefits TNCs, namely the local company’s knowledge about the nature and the culture of the local market and its consumers. This knowledge is vital in the strengthening of the transactions between BEE and TNCs as an illustration of the mutual constitution of the local and the global.

The presence of TNCs and their strategic partnerships with local conglomerates reveal another myth about deregulation, namely that it diminishes economic concentration. As these partnerships were forged, the size of BEE firms increased as demonstrated by Johnnie and NAIL. Although that was important in terms of creating a critical mass to add value to the shareholders, it eventually turned the industry towards concentration. The size of some BEE companies that darted for the offshore markets detailed above, showed, the features of a deeply concentrated industry.

Although TNCs claim to enhance the quality of the local media market, they are driven by commercial interests (Braman and Mohammadi, 1996: 25). As competition becomes stiffer,

\textsuperscript{86} Of about 20 black media groups, only 6 were listed on the JSE in 1999. Listing helps in the marketing of a company by providing potential investors with the history and the performance over a given period. If a company is not listed, it becomes difficult to attract foreign investors, especially when the company is still new like many of the BEE groups.
TNCs are likely to move further away where it is less intensive so that they can maintain their dominance. It came as no surprise when South Africa became the destination of many of these companies after 1990. Having emerged from a period of isolation, the South African media market was still available for economic exploitation. TNCs’ quest for dominance is seen in the following: i) their arrival on domestic markets, which is marked by their partnerships with successful local conglomerates rather than emerging business firms or SMMEs. This is a deliberate strategy to grow rapidly in size as the first step towards capital accumulation. It is one way in which TNCs negotiate competition on the local markets; and ii) for TNCs, restructuring means scaling down operations accompanied by retrenchments. As vehicles for capital accumulation, transnational media serve as “ideologically supportive informational infrastructures of global capitalism” (Schiller, 1979: 21). This comes out of their market-centredness. The market within this framework is seen as being capable of allocating resources and organising economic life. Within the market framework, media freedom is confined to the absence of business constraints. As a result, it will pave the way for political freedom. It is assumed in this position that the placement of political freedom before (business) economic freedom, creates ‘unfavourable’ conditions for investment (see also Herman and McChesney, 1997). It is at this time of market-centrism that the role of the government becomes essential.

As drawn from the above discussion, the government is still a catalyst in deregulation process by awarding business licences and further monitoring the market as ways to ensure competition. It also implements the policy that shapes globalization. Herman and McChesney’s (1997: 35) quotation clearly shows that as part of deregulation myth, global capitalism does not denounce the role of government. Therefore, the idea of a free market is a myth.

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87 According to Sunday Times Business Times, about 400 staff at ING was facing the chop in the early part of 1999 (28 February 1999).
88 Herman and McChesney (1997) refer to global media as ‘the new missionaries of corporate capitalism’, a name
While the role of the government is strengthened by deregulation, as it becomes the protector of the market, the process itself continues to reflect inequalities between the individual companies created by capital. This relates to the way some empowerment companies without capital power were cut-off from active participation in the global market (see Mattelart, 1992). The lack of capital in some of these companies is seen in the limited number of BEE groups involved in global partnerships. As a result, the section below examines the degree to which globalization has impacted on the shift in BEE.

The Impact of Restructuring Media for Globalization: BEE in a Global Perspective

The factors that give rise to globalization illustrate the complexity of this process. The complexities are also shown by the partnerships, joint ventures, takeovers and mergers by the empowerment companies discussed earlier. In other words, within every partnership there were many questions as to whether a joint venture or takeover would take empowerment a step further, elevating it to higher levels, or whether it would stifle the process. These questions are sparked by negative elements that are, according to J.B. Thompson (1997), always linked to the globalization process, in particular that:

i) It turns the public sphere into a private one,

ii) It undermines the nation-state

iii) It treats the audience as consumers

iv) It has homogenising tendencies

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Herman and McChesney (1997) have identified the main global players in the media system. None of these
As demonstrated by Warner’s investment in Midi e-tv, globalization is driven purely by commercial interests. For the South African media in general and empowerment in particular, deregulation—aided globalization has brought some positive aspects. Contrary to the apartheid era, access to numerous TV channels, newspapers, Internet and radio has increased considerably, with the accentuation of infotainment. While these positive aspects are hailed as major successes of this process, commercial, profit-driven interests derived from the privatisation of these channels have replaced the public interest and participation. With the trend of seeing the audience as consumers, the audience’s value is determined by its financial contribution seen in the importance of audience ratings and SAARF in the media industry. This shift has ended in the creation of what Mosco (1989) terms the pay-per-view concept in media globalization. The treatment of the audience as consumers has further placed too much pressure on media firms, both local and global, to compete heavily for them. Therefore, every effort or behaviour displayed by a media company is an attempt to maximise the audience.

Although the availability of products in the media industry has increased tremendously, there are growing tendencies towards concentration, internationalisation and cross-media ownership, as shown by BEE companies’ refocus and consolidation in their second phase. These were attempts to create various channels through which to reach audiences, thereby strengthening their economic power in the market. As Garnham (1990: 161) noted, power in the media industry clusters around distribution rather than production. Therefore, internationalisation, concentration and cross-media ownership have to be viewed as desperate attempts to access audiences. The ability of a media firm to reach and attract audiences guarantees advertisers who bring with them players originate from Africa.
cash. Apart from selling them to the advertisers, the audiences also serve as revenue sources to the firms through subscription. As mentioned earlier, the drive to maximise audience (consumers) often inhibits access to the media. As a result, it will impact negatively on empowerment.

As mentioned earlier, TNCs are renowned for their capital power. They want to use this power as an instrument to dominate local companies. Dominance in this regard manifests itself in various ways. This begins with takeovers and acquisitions as shown by O'Reilly’s Independent Newspapers and, joint ventures as represented by the Time Warner/Midi e-tv partnership. The takeover of Argus Newspapers by O'Reilly secured him The Star, Daily News, Pretoria News, Sunday Tribune, a printing company which also printed TML papers in Johannesburg and Allied Publishing, a newspaper distribution company (see Berger, 1999). Apart from taking South African media back to the era of conglomeration, O'Reilly’s action further presents global companies as only profit-driven. The ING's action of shedding jobs has to be understood as part of global firms' attempts to save costs in an attempt to increase profit. This involves the centralisation of management functions and operations and the use of high technology, which makes local staff redundant.

The global joint ventures discussed above raise one critical issue relating to globalization as the mutual constitution of the local and the global. All the companies involved in a transaction have something to offer in return. While the joint ventures like those of TML/Pearson are necessary for BEE, they seem to distinguish between BEE and media empowerment. This is seen in the-

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90 Apart from a few local programmes broadcast by e-tv between 1998 and 1999, the majority of foreign programmes and films screened on the station are from the Warner Brothers’ stable.
fact that through the provision of international news, TML will be empowered as a company. Contrary to BEE, empowerment in this regard will be confined to the institutions without contributing to job creation and the mentoring of SMMEs. While media empowerment is important for the survival of the company in terms of attracting consumers, it falls short in terms of broadening the participation of historically disadvantaged groups.

It is interesting to further note that the cases above demonstrate that caution must be exercised when dealing with such a multi-faceted process. As J.B. Thompson (1997: 164) confirms,

If we wish to explore the impact of the globalization of communication,
we must consider not only the patterns of uptake but also the uses of
globalized symbolic material—that is, what recipients do with them, how they understand them, and how they incorporate them into the routines and practices of their everyday lives.

The essence of Thompson’s argument is that, though an inevitable process, globalization does not affect all of us in the same way. While attacking globalization, we should also acknowledge its positive elements such as competition and choice available to consumers. As a result, it will be utterly wrong to universalise the impact of globalization. It is, as J.B. Thompson (1997) further asserts, a regional, continental and global process. When defending globalization, Herman and McChesney (1997) postulate, among other things, three critical lines, which if carefully thought, can change the perceptions about the globalization process in general and empowerment in particular: the magic of the market; the active audience and new communication technologies. These critical lines explain why BEE firms find it difficult to resist globalization. These critical lines further demonstrate why the government engages in deregulation, which brings about globalization. They further confirm the centrality of
commercial interests to globalization.
The first critical line is the magic of the market. Over the years, the way people use media, whether as individuals, groups, or societies has changed. This has moved the industry from being an institution determining the needs of the people into an institution responding to their wants. For the media to meet this challenge, it needs to be competitive enough. With various choices available, the number of audiences increased tremendously. As mentioned earlier, if choice is available, competition increases and quality is enhanced. Quality cannot be separated from competition. The ability to compete relies heavily on financial power. This relates to the purchase of media equipment (technology) and products (content) in an attempt to satisfy the needs of the audience. While the above aspects look too attractive to be resisted by BEE firms, the shortcomings discussed earlier, relating to the economic gap between companies in the process is a critical factor. This is seen in the limited number of BEE companies participating and the criteria for participating in the global markets. These shortcomings continue to fuel the magic of the market myths that globalization brings to empowerment. As BEE firms become market driven, the focus become the companies themselves, rather than their contribution to empowerment as many joint ventures and takeovers have shown.

The second critical line is the active audience. This line results from popular trends on the impact of the media on the audience. In terms of this trend, the audience is brainwashed by the media (Morley, 1992; Livingstone, 1997). Consequently, the local culture becomes eroded as the local audience rejects it for the western one. Though acknowledging the media effect, research has shown that the effect is exaggerated as individuals, groups, genders use media

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91 David Morley's (1992) active audience theory is one of those studies to reject the notion that audiences are dupes (see also Livingstone, 1997).
differently. In addition, the manner in which the effect takes place varies immensely. According to Herman and McChesney (1997), the audience interprets media messages in ways that suit their own needs and not those of the proprietors, whether local or foreign. In other words, being constituted of individuals, audiences have the power to select whatever is available to them. The effect of global media on the audience is still a debatable issue.

The third critical line is new communication technologies. As mentioned previously, technology is vital in terms of saving time and labour. Technology also overcomes space and time, as demonstrated by the ability of people to communicate across space. This is vital in terms of facilitating globalization. While the positive effects of these technologies have undoubtedly transformed the spaces in which communication travels, they are, as part of corporate extensions, carried within a commercial framework, thus expanding the capitalist interest of TNCs. Unless indigenised, the technology is foreign. However, as part of the mutual extension of the world, it is not the origin of technologies that should be a problem to us, but how and to what end these technologies are used by the locals (see also Dunn, 2001). It is at this level that their contribution to empowerment should be investigated. Having said this, it is important also not to ignore the problem linked to these lines as acknowledged. An example of the problems that Herman and McChesney are discussing can be related to new technologies. For Herman and McChesney (1997), the use of these technologies remains illusory as long as they are being carried within the commercial framework (ibid.195). In short, while these new technologies expand, commercialism continues to consolidate its position. During the process, more and more people become technologically alienated. One can realise therefore, that because of the commercial imperative attached to the critical lines mapped out above, all of them have one
similar problem: the alienation of the larger public that globalization claims to serve.

These critical lines demonstrate that media globalization has brought as many opportunities as threats. Certainly, nobody can doubt the benefit of new technologies, which, as J.B. Thompson (1995) contends, annihilated space and time. If indigenised, the technology enhances production output, which is empowerment itself. Another interesting point to make concerning opportunities and threats is confirmed by the ability of globalization to enhance quality through competition.

As promoters of global capitalism symbolised by commercial media, TNCs are unlikely to create jobs. This was evidenced by the manner in which their investment was concentrated at stock exchanges and the centralisation of power at ING. The ING case is not unfamiliar to TNCs. As long as rapid mergers and acquisitions continue to grow, unemployment will continue to escalate. That is, as companies are merged, operations become streamlined and management centralised. During the process, many people are declared redundant. While it is presumed that BEE is given the necessary capital boost, it is also important to note that such capital continues to move. “Capital’s ‘moving on’ to find even more attractive economic environments, leaving its former beneficiaries out in the cold” (Panos Briefing, 1999: 6). This was exemplified by foreign cash generated from BEE firms in their partnerships with TNCs. After disposing of its 2 million shares in Nasdaq-listed MIH Holdings, Johnnie’s generated cash was earmarked for funding offshore expansions (Sunday Times Business Times, 16 April 2000). Given this, one

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92 In terms of the 1999 Panos Briefing (no. 33), there were reports that about 10,000 workers were being laid off every day in South Korea as a result of this process.
realises that the empowerment status upon which local companies such as Johnnie were founded has left it ‘out in the cold’. Although shares are issued to senior personnel, this process is not benefiting the larger process of empowerment. Like in INGs’ case, where some black staffers were elevated to higher positions, the awarding of shares to senior staff at Johnnie’s TML confined empowerment to its own corridors.

The confinement of empowerment only to institutional structures and stock exchanges stifles rather than carries the initiative a step further. This is because, by confining it only to the organisational corridors, empowerment means nothing to ordinary people in the street where unemployment is seriously felt. This does not mean that nothing is gained from stock exchanges and institutional empowerment. If stock exchanges are part of the first stage of empowerment as Madi (1997) argues, the profit generated from them should be channelled towards job creation as the second stage.

It is also interesting to note that we can no longer talk of universal experiences when discussing globalization (see also Panos Briefings, 1999). Unfortunately, this conclusion seems to counteract the one embodied within NWICO debates that globalization is another kind of cultural imperialism, which reincarnates media dependency on the First World. What has become increasingly evident is that within the Third Worlds, as was the case with South

93 The state, through its involvement in privatisation, should not be exonerated from the criticisms. As an example, when the South African government started with the privatisation process, which involved large public assets such as Denel, Transnet and SpoorNet, tensions erupted with its labour and political allies, Cosatu and the South African Communist Party respectively. COSATU and South African Communist Part viewed the government’s move as way to shed jobs and render the public services inaccessible to the ordinary people. Cosatu viewed the move as “sketchy and [as having] missed the opportunity to redress the economic imbalances inherited from the past”. According to Cosatu’s spokesperson, “the restructuring of state assets should help bridge the economic divide rather accentuates it by shedding jobs” (City Press, 13 August 2000: 1).
Africa/Namibia/Botswana relationship discussed earlier, there are also winners. The same can also be said of empowerment. Some companies used their empowerment status for their own benefit whilst others failed. In the end, the scope of empowerment became broad and further redefined, resulting in some confusion about it.

**Conclusion**

There are three main points raised by this chapter. The first point is that in South Africa globalization is a consequence of the deregulation process driven by the government in its attempt to increase its revenues, bring about more players and enhance economic growth as prescribed by Gear. As indicated in the chapter, although globalization is an old process, heightened transnationalisation occurred in South Africa after the downfall of apartheid as represented by the joint ventures involving companies such as Time Warner, Pearson, Siemens AG, ING and so forth, following the lifting of economic sanctions by the international community. This was a time at which empowerment was shaping up, thus demonstrating the kind of relationship between deregulation and globalization.

The second point is that globalization is a mutual constitution of the world. This is reflected in the demythologisation of the North/South or core/periphery dichotomy and the focus on the emerging centres within the peripheries. Although economic disparities are still prevalent, as was the case with the North/South paradigm, they are negotiated within the context of the region.

The third point is that, whether globalization is carried within the second phase of empowerment, it will continue to represent the agglomeration of capital led by TNCs. Therefore, it is still commercially-driven. The commercial drive is seen in the way it changed the
empowerment ethos from a broad-based initiative centred around SMMEs and job creation to one focused on conglomeration and capital accumulation for a limited few firms and individuals.

Although these points were critical to BEE, considering its precarious economic situation, they still reflected the economic interests of both the government and the TNCs. By setting in motion the deregulation process, the government continued to benefit economically by collecting taxes and increasing its revenues. On the other hand, TNCs continued to expand their economic power. Because TNCs were part of the BEE companies’ survival strategy to consolidate in the second phase, they further changed and shifted the primary aims of empowerment. Thus, as BEE firms grappled with the process in their attempt to negotiate their survival, many changes occurred, which reconfigured them as empowerment companies. Although empowerment also impacted on globalization, it could only do that within the local media industry where it was enforced by the government as demonstrated by strict foreign media ownership limitations and content quotas. As a further manifestation of how empowerment shaped globalization, TNCs had to demonstrate their ability to contribute to BEE as a necessary condition before being granted business licences. The impact yielded positive results as seen in ING’s change in management structures to accommodate managers from disadvantaged communities. Outside this, it was difficult to measure the level of empowerment as BEE firms dispersed their assets throughout the world in search of profit, thus leaving many people unemployed. In the meantime, the idea of SMMEs continued to wither in the media industry. As commercial imperatives drove empowerment, the focus became the companies themselves rather than BEE. This occurred amid the rampant joblessness sweeping the country (Duncan, 2001). For those
companies, whose assets are dispersed throughout the world, success was not guaranteed as some had to divest from these markets. This means that although globalization presented itself as an inevitable change, it is not the only condition for success (see also Julian Thompson, 1999).
Chapter 6

Conclusion

Introduction

Throughout the world the media industries are undergoing transformation as evidenced by their engagement in strategies such as concentration, conglomeration and globalization. These strategies are desperate attempts to survive amid dwindling adspend and escalating operational costs. In the South Africa media industry, BEE adds to these challenges. In other words, as required by legislation, media firms have to demonstrate how they will contribute towards empowerment. These trends are further shaped by four macroeconomic forces driving international business: regional integration, technological advancement, the development of a borderless economy and the gradual emergence of an economic world based less on ideology and more on pragmatism (Sheth, 1992). Regional integration is manifested through the formation of regional organisations such as SADC, the EU and so forth, which have become vehicles of economic integration. Technological development has not only compressed space and time within the media industry; it has further blurred market fragmentation.

Apart from changing the ways in which the media industry operates, these forces have invigorated the new role of the government both at policy and administrative levels. The invigorated role of the government is seen through its engagement in a massive deregulation process resulting in liberalisation, privatisation, commercialisation and transnationalisation, which have become part of media transformation today. In South Africa, the government’s process resulted in the entry of BEE companies, which continued to disperse their operations both in the local and global markets, the standardisation of rules regarding the operation of the
media industry, and the eventual flocking to the local market by TNCs. While the government claims to have lessened its power in the economy through its involvement in deregulation, the opposite seems to be true in view of the issues raised in this study, including the enforcement of BEE, the limiting of foreign media ownership, the tightening of quotas to regulate content and the new criteria for offshore listing.

The revised role of the government is further seen throughout the various chapters of this study beginning with the enforcing of BEE to the drawing up of legislation to determine how companies should respond it. Certainly, competition in the media industry has increased tremendously as a result of this process, thus bringing about quality and choice to the media consumers in South Africa. As seen throughout the various sectors of the media industry, conglomerates representing various interests ranging from the labour and civic movements to private and empowerment groups, are increasing. This tremendous increase occurs despite the economic problems raised in this study relating to competition, dwindling adspend and escalating operational costs.

On a broader scale, this study demonstrated how BEE as a government-driven initiative originated in the media industry. Since BEE existed within the context of the challenges highlighted above, they continued to influence and shape it. Based on the way in which the government processes such as liberalisation, privatisation, commercialisation and transnationalisation spawned BEE, it might seem the influences were already prevalent and therefore, attached to these processes. Although intensified upon BEE’s inception, signified by the entry of empowerment groups into the media industry, the influences were somewhat
downplayed or ignored. This was manifested through empowerment companies’ euphoric introduction of N-shares to broaden their black shareholding base, the government’s tendering system to favour empowerment groups and the firms’ confinement of their operation and shareholding to the local market. These elements went on to characterize the early first phase of BEE. To accelerate the initiative further, the government did not only legislate the process, it rolled out its unbundling process by selling a number of its broadcasting assets to empowerment groups.

As the government’s deregulation process continued to unfold and non-empowerment companies intensified their competition, the influences became too strong to be ignored anymore as seen through BEE companies’ negative performance discussed in chapter 3. In their attempt to deal with these influences and challenges, many changes occurred, somehow shifting the original nature and the intentions of BEE. This is clearly represented by the end of the first phase characterized by rigorous restructuring, resulting in the unbundling and selling of assets including those that had a huge black shareholder base. To add to this, empowerment vehicles like N-shares were dropped as well. Commercial interests became the driving force as earlier promises of job creation, SMMEs support and community development were brushed aside when companies acquired more assets and lined up for international investors and partners. As a result, the companies became vehicles for the enrichment of a few individuals. At the government level, empowerment companies were ditched for the global ones, which brought large capital. In addition, processes such as privatisation and commercialization were also accelerated.
As the above changes became widespread, tensions ensued between the role players and interested parties over what they considered the (in)appropriate ways to empowerment. These tensions went on to dominate the initiative and became synonymous with it in the period examined in this study. The tensions illustrate the significance of power in carrying out initiatives like empowerment. The significance of power is not only seen in the revitalised role of the government, but also in the way it changes social relations. This confirms the relevance of political economy approaches in terms of examining how power is attained, shared, contested and resisted in the society.

There are a number of lessons about BEE illuminated by political economy drawn from this study. The first lesson is that, as seen in the inception of BEE and how it was contested and carried out between historically white-owned media firms and historically disadvantaged consortia, government and trade unions, local and foreign media firms, society “is a field on which various processes mutually constitute identifiable social relationships” (Mosco, 1997: 215). BEE has become important in forging these relationships. These relationships, based on gender, race, class and affiliation, define and shape the actions and behaviour of individuals as social actors. Hence they are important sources of power. As Mosco (1997) explains, any attempt to analyse these actors/agents outside other structures is inadequate. Apart from providing the medium or operating rules out of which these agents work, they (agents) also shape this structure comprising the government through its regulatory bodies and business institutions such as cultural industries.

The second lesson has to do with the structure of power relations in a society, as seen in Chapter
2 wherein the origin of BEE was chronologically traced. An interesting point to emerge out of this chapter was how power relations within these structures, as temporalities, change. This is seen in the way empowerment is enforced. Though spawned by the larger transformation process, it became evident that the fear of a new ANC-led government actually forced media conglomerates to transform in response to empowerment. As discussed in the chapter, if power relations had not shifted, the ANC was unlikely to be successful in its endeavor to promote BEE.

This can be confirmed by the fact that though the ANC talked about the need to transform the media industry as far back as in 1993 (Louw, 1993), it could not influence the industry and enforce empowerment as it (ANC) was outside of the government. Although power is vital for governments to forge ahead with their policies as was seen with the enforcing of BEE, it has its negative side. Thus, since this is a pressure-driven exercise, there is often a lack of commitment to the initiative as seen in empowerment and non-empowerment’s fragile relationships. Therefore, tensions will continue to erupt, thereby stifling the progress of the initiative.

Apart from tracing the origin and development of BEE, within the context of shifting of power relations, the chapter attempted to answer two key questions in the study: Why did the media monopolies emerging under apartheid have to be restructured after 1994 and what were the effects of restructuring the media in terms of BEE? Though briefly answered in the chapter, it is important to note that these questions and their possible answers have both political and economical dimensions. The political dimension stems from the changes taking place within the country which media, as part of the society, has to reflect. The economic dimension relates to the diversification of the industry to enable blacks to participate actively in the mainstream economy in general and to the media industry in particular. This, arrangement, as Madi (1997:}
53) once argued, "will break down social barriers formed by apartheid and create wealth within the black community so that like their white counterparts in an capitalist society blacks can also vote with their money". Once broken, these social barriers will help in terms of recreating and redefining relationships, especially in a country resembling South Africa's history, where racial segregation existed for such a long time. The enforced nature of BEE can be traced from these social relationships constructed along racial lines. However, as mentioned in this chapter, the relationships forged on the basis of material gains are never permanent (see also Tomaselli, 1997). As Tomaselli (1997: 67) writes, "identity forged through material struggles tends to bring communities of like experience, even if historically conflicted, into surprising cooperation when broader structural conditions change...".

Although materially forged identity is vital for the changing conditions and social relations, it is only maintained by similar shared concerns, which are diluted by the formation of new classes within the communities as part of transformation. When formed, these classes create social stratification by radically distinguishing between those who can participate in the economy and those who cannot. In the case of empowerment, this is illustrated by the gap between those who can participate at the stock exchanges and those who cannot due escalating unemployment and limited capital within BEE companies. The lack of permanent relationships becomes stronger if the relationships are enforced as described in Madi's (1993; 1997) external crisis stage entailed in his traditional approach. The impermanence of and the susceptibility of these relationships to fragmentation seem to be the contributing factors to the lack of commitment in the empowerment deals discussed in chapter 2. It is presumably because of this lack of commitment that the first phase of empowerment became distorted and dubious. This was despite the relationships
between BEE firms and successful Afrikaner conglomerates such as Naspers.

The impermanence of these relationships is further reflected in Chapter 3 wherein an economic analysis of empowerment is made. The construction of social relations within the frames of capital, does not only present power as economically defined and as a major instrument of judging performance, it also demonstrates the vulnerability faced by those without capital in the media market. These are in essence issues discussed in chapter 3 in relation to the operations and performance of BEE groups. Since capital determines relationships, the chapter further examined the interpenetration of this capital as part of this process to judge the performance of BEE groups. The discussion drew on the orthodox Marxist dichotomy of base/superstructure wherein the performance of BEE firms is judged in terms of its ‘economic determination’ (Curran et al, 1982: 18). To BEE, the base/superstructure model, as this chapter illustrates, is similar to confining the initiative only to ownership and control in which stock exchanges become central arenas of economic exchange. The tendency manifested itself aptly in the concerns raised in South Africa when BEE floundered at the stock exchange towards the end of 1998. The comments by former Deputy President Thabo Mbeki discussed in chapter 4 are notable in this regard. These comments highlighted the centrality of the economic dimension within empowerment (see Sowetan, 26 November 1999).

The economistic approach developed in this chapter, was influenced largely by the manner in which empowerment initiative was driven and judged both within and outside the institutions since its inception. Thus since its inception, BEE has always been institutionalized and economically driven. As explained in Madi’s (1997) traditional approach, the response to
empowerment by non-empowerment companies was not intentional, but triggered by the economic and political crisis, spurred by the constant pressure from outside. It was in essence an economic ploy by non-empowerment companies to survive within a changing environment. While economic determination was important for the survival of BEE, it strictly confined BEE to the institutions such as JSE. As a result, it failed to account for other socially-related factors such as job creation, SMMEs support and community development as broad-based empowerment. This failure, in my view, accounted for many of the criticisms leveled against empowerment. Though the chapter answered many questions relating to the effects of restructuring apartheid monopolies in terms of the post-apartheid political economy of the black-owned South African media companies, it became apparent that social relationships forged through capital are difficult to predict. Thus suggests, therefore that once capital dries out, the relationships can dissolve as shown in chapter 2. This is demonstrated by the fierce competition provided by non-empowerment companies to BEE, despite allowing the latter to enter the market.

Again, the institutionalisation of BEE replaced economic advancement with purely corporate advancement. In this regard, institutional extension became critical for survival. As explained by Kieffer (1984), economic advancement manifested through the rapid growth of BEE groups, has nothing to do with the support of the historically disadvantaged people. Consequently, advancement has become narrowly defined as a process through which institutions increase in size so that they can maximize profit as measured in chapter 3. From Kieffer’s (1984) advancement perspective, empowerment was built on SMMEs as the ground to absorb and minimize rising unemployment (Madi, 1997). In contrast with economic advancement, corporate
advancement is built on conglomerate, premised on Ferguson's (1992) idea of *big is better* syndrome. Through the opportunities offered by internationalisation, this perspective is carried beyond the local borders where these firms interact with TNCs, as part of corporate expansion. Within the context of this study, this becomes evident when analyzing and examining the integration of the black-owned South African media capital in global stock exchanges discussed in chapter 5.

As this sudden shift to corporate advancement occurred, suspicions about the direction and the future of BEE were constantly raised. The justification of this shift is eloquently summed up by Moseneke's (1999: 10-11) words:

> Local capital is limited. We have to join the competition for local and international institutional investors. In future we believe empowerment should be determined not by a company’s shareholder base, but by its board, executive leadership, commitments and actors that conform to an empowerment profile.

Apart from confirming the concentration of empowerment within the institutions, Moseneke's comments attest to the shift in BEE alluded to above. As discussed in this study, the shift is reflected through the concentration of empowerment in institutions, the swamping of empowerment by enrichment and BEE firms' rush to offshore markets. However, the rush for offshore investment was not one-directional as the TNCs came to invest on the local markets as well, thus further ascertaining the third lesson offered by political economy that globalization is integration rather than global and local polarities (Featherstone, 1992). Within this perspective, the core/periphery model central to globalization is gradually being deflated. Through the actions of NAIL, AME, UAM and Johnnie discussed in this chapter, the inadequacy of the core/periphery model in terms of dealing with globalization became clear and therefore, obsolete.
As indicated previously, within the core/periphery model globalization is considered to be a linear capital mobility from North to South. In this regard, the critical question was the impact of globalization on the local South (periphery). What has been the missing link is how the local south shapes globalization. As the investments of AME, UAM and Johnnic on the global markets have shown, there are emerging centers within the (South) periphery, thus implying that globalization is no longer a North/South problem, but one occurring in the South or peripheries as well.

Again, it became interesting looking at the manner in which globalization has shifted from a mere fragmentation of borders into regionalized process wherein these borders are redrawn. Globalization seems to have reorganized spaces resulting in the nation-states being shifted to regional organisations such as SADC and the EU, who are forging new kinds of identities and relationships (Boloka, 2000). It is through these organisations that cultural, social, economic and political relationships are established as part of the transnationalisation process. To empowerment, the establishment of the organisations means that the initiative can no longer be narrowly conceived on the basis of local/foreign dichotomy, but on the basis of mutual constitutiveness between the local and the global. This is represented in the way the South African media sector is structured in terms of ownership and control, particularly broadcasting and telecommunication. In other words, a certain ownership percentage\(^{94}\) within these sectors is often reserved for empowerment and TNCs as the case with Time Warner’s 20% stake in Middelby and SBC communications in Telkom. This serves to promote an interaction between the local

\(^{94}\) In telecommunication, 30% of Telkom is shared between US-based SBC Communication and Telekom Malaysia administered by Thintana Communications. This kind of pattern became evident in the structuring of Second Network Operator (SNO) to compete with Telkom. While 19% was reserved for empowerment companies, 51% was allocated to an international strategic investment partner.
and the foreign media firms. However, the strict limitations on foreign media ownership attest to the fact that globalization is not laissez-faire or a free-will phenomenon, but rather a process shaped and regulated by the government. Again, as shown in the conflict discussed in chapter 4, globalization is being contested and resisted by social movements.

Although the shift in empowerment is part of media transformation, it was not well received by social movements and other actors within the media industry, who accused empowerment firms of reneging on empowerment. Consequently, conflicts and tensions ensued as discussed in chapter 4. The conflicts and tensions were further exacerbated and fueled by the government, who, through its quest to increase its revenues and attract foreign investments, resorted to privatisation, commercialisation, internationalisation and liberalisation. This government’s action suddenly twisted the conflict from a purely industrial disagreement between the role players and the regulators to a government/labour issue. Given the number of jobs that have been lost already in all high labour intensity sectors such as mining, it remains unclear whether various forms of privatisation, both at local or global level, can further contribute to empowerment outside of allowing the entry of historically disadvantaged groups into the media industry. This was exacerbated by the fact that the joblessness experienced in other sectors has already spilled over into communications following the government’s intended move to fully privatise Telkom. As confirmed by Goga (2000) and Duncan (2001), other sectors of the media are unable to create jobs opportunities for historically disadvantaged people. The negativity of privatisation is further complicated by the fact that, although having a sound privatisation plan, the government does not have the mechanisms in place for job creation afterwards.
The absence of satisfactory strategy in dealing with the escalating unemployment, high rise of prices, the drop in standards of living, the high inflation rate and economic stagnation are some of the factors that have over the years made people sceptical or even hostile to privatisation as demonstrated by COSATU/SANGOCO’s Anti-Privatisation coalition. As Splichal (1994: 88) points out, “privatisation cannot genuinely democratize the communication process because it retains control in the hands of a minority rather than the people, and reduces the public interest in the maximization of profit”. This point is confirmed by Dahl (1991: 17), who warns against corporate capitalism as part of privatisation as follows:

> corporate capitalism, in the form of unregulated markets and privately-owned corporations, as economically the most efficient alternative and compatible with democracy is inaccurate. This because once established, the structures that reduce economic inequality among citizens are very difficult to change.

These structures, continues Dahl (1991), will infiltrate all democratic institutions rendering them elitist, thereby placing them beyond the larger population’s reach. The media is susceptible to such infiltration. Given these warnings, the following is likely to happen to BEE: firstly, to the media industry, privatisation will mean market-centredness. This may bring large profit for media owners, but limited freedom and economic pressure because the media is likely to become tools for those who finance them, in particular the advertisers (see also Splichal, 1994). The economic pressure stems from the media’s desperate quest to maintain the fragile relationship with consumers in an attempt to attract advertisers. Secondly, as a process, BEE will continue to be a contested terrain for a variety of actors. Conflicts and tensions will continue to mount, but subside at one point. While some of these conflicts will contribute to empowerment in some respect, others will slow down the process as briefly explained below. It is important, therefore,
to understand the conflict between the government and COSATU within the context of the problems raised above. Within the industry, the problems are further worsened by the fact that empowerment does not empower new sets of people or groups. This has resulted in the concentration of capital within a particular bourgeois class, which claims to represent empowerment.

The nature of the conflict and the actors involved demonstrate a fourth valuable lesson offered by political economy: that since structures are constituted by various actors, government, business, social movements, they are always arenas of contest for power. Broadly, not only did this chapter highlight a shift in the interpretation of BEE as the source of these contestations. What also emerged were the different practices and directions involved in pursuing empowerment fuelling these tensions. Though various interpretations and practices of empowerment helped in different ways, they also contributed to the lack of coordinated efforts in the realization of the initiative. Thus, instead of focusing on the factors inhibiting the progress of empowerment, a lot of time was spent on what empowerment is and how it should be carried out. As the chapter has shown, it is at this level of executing empowerment that role-players such as the government, black business, political and social movements quarrel. Contrary to ideology as imaginary unity for collective action and solidarity highlighted in Chapter 2, ideology in this chapter appeared to be a means of setting institutions apart, as reflected in the various resistant strategies used by these institutions in response to their quarrels. So the events of chapter 4 are reflective of what Gramsci (1971) terms organic ideologies. This is because these events are not only strategic, but “they organize human masses, and create the terrain on which men move, acquire consciousness of their position, struggle, etc” (Gramsci, 1971: 337). Therefore, as an imaginary relationship of
individuals to their conditions of existence, "ideologies are social processes, produced, conveyed and received in particular, materially circumscribed social environment. They govern people's relations with other people and their environment..." (Tomaselli, 1997: 23).

While BEE was viewed in this study as a continuous struggle undergoing various changes shaped by actors and other processes taking place where it operates, the critical question remains, to what extent have these tensions changed BEE? The tensions and the ascendancy of the liberal strategy to resistance dominating the struggle in the early first phase of empowerment, have to be understood within the context of BEE as a non-violent way of dismantling apartheid economically. In other words, it was presumed that as blacks got richer it would be easier for them to overcome the brutalities of apartheid and further be accepted by whites (cf. Madi, 1997). As mentioned in chapter 4, some of the tensions contributed immensely both negatively and positively to empowerment. The positive contribution can be seen through the government's enactment of Empowerment and Employment equity Acts, JSE's revision of offshore listing requirements, the government's delay of some of its privatisation plans until 2000, and, NAIL's withdrawal of its plan to incentivize its four directors. The negativity of these tensions manifested through heightened animosity and mistrust that continue to dominate the empowerment initiative as discussed in chapter 4.

Although valuable lessons can be learnt from BEE in terms of changing social relationship and increasing the participation of previously disadvantaged communities, the fierce competition, the negative performance and the raging tensions discussed widely in the chapters of this study, are not only illustrative of the shift within BEE, they further point to the general problems surround
it. In other words, BEE as the tensions in chapter 4 have demonstrated, can no longer be carried out in a collectivist ideological form dominating the first phase of empowerment. Based on the reversal of the deals discussed in chapter 2, the traditional approach wherein BEE was evaluated on the basis of whites partnering blacks has left behind serious problems. Consequently, it can no longer be a workable strategy to increase the participation of historically disadvantaged groups people in the media industry. Again, BEE has moved from being a purely local initiative.

With the interpenetration of the local firms and TNCs in the second phase, BEE is integrated with globalization, which somehow changed the way the initiative is carried out, particularly, with regard to the prominence of commercial element.

The problems besieging BEE are further laid-bare by the gradual formation of classes widening the economic gap between the rich and the poor, the spiraling unemployment rate, the difficult conditions under which emerging BEE firms operate forcing them to be attached to non-empowerment conglomerates, the possible closure of and liquidation faced by other BEE firms, the slow pace in the change of management structures of media firms (cf. Goga, 2000) and the escalating job losses between 1994 and 2000\textsuperscript{95}. These factors do not present BEE as a successful initiative thus far. On the basis of this, the section below discusses some of the major problems that plagued BEE since its inception and how these problems inhibited on the progress of the initiative in terms of achieving its intended goals. The problems have been arranged in four categories: management, market, society and historical problems. In essence, these problems serve to point out the general findings by this study.

\textsuperscript{95} Although joblessness did not start in 1994, over 429 000 jobs were lost since 1994 in every sector of the
General Findings

The rapid entry of BEE firms and the manner in which they changed the face of the media industry attest to us that as an enforced initiative, empowerment has succeeded in terms of: i) increasing black participation in the media industry, ii) challenging the economic power of apartheid monopolies in the media industry, and iii) changing the power relations within the South African society, as seen through the deals between apartheid conglomerates and empowerment companies. However, the tensions and the negative performances exhibited in chapter 3 and 5 respectively, indicate that there are problems within BEE.

Management Related problems

1. One of the major features that characterized BEE groups was their desperate attempt to imitate their predecessors by moving towards vertical integration. This was further compounded by the fact that some of them were multi-sectorally integrated conglomerates before their entry into the media market. As Ruel Khoza commented, “we are recreating the conglomeration as a business model where worldwide, even in SA conglomerates are unbundling, restructuring, delayering the pyramid structures, and focus on core competences and industries” (Sunday Times Business Times, 1 September 1997: 5). “Our empowerment agenda, he continues, “is driven by corporations that seek to do business with us, along with assorted advisers and financiers who in fact stand to benefit from this initiatives more than ourselves” (ibid.). Khoza’s concern relates to the nature of deals and partnerships that BEE firms forged. Apart from invoking imitation as a problem, Khoza’s comments demonstrate the shortcoming of vertical integration. As much as vertical integration helps in terms of guarding against market downturns, adding diversity to the economy (see Duncan, 2001).
assets owned by a company and lessening competition since rivals are integrated, it does not create synergies. Therefore, the company’s resources, including labour, are not efficiently used. As seen with many empowerment groups, vertical integration impacts on the financial stability of the company. To empowerment companies, this was a major problem given their unpreparedness of the first phase.

2. There was always shortsightedness on the side of many BEE firms’ management. When explaining this problem, Khoza writes, “Many of our decisions and activities are characterized more by short-sightedness, expediency, greed and vanity” (Sunday Times Business Times, 1 September 1997: 5). All these practices presumably were results of expediency, related to the pace at which the deals were made without researching their viability. In the end, major losses were incurred as transactions were later reversed. In other words, there was always too much greed and pretence shown by desperate acquisitions and mergers resulting in the purchasing of assets above market value or buying assets beyond their primetime. BEE firms were interested in merging and buying without thinking about the long-term benefit of these deals to the companies’ existing structure. In relation to the mergers with historically white companies, there was also complacency presumably derived from the fact that non-empowerment companies are forced to merge with them no matter what. As non-empowerment companies hurried to get BEE partners on board as a sign of their response to transformation, BEE companies became conglomerates with a pyramid structure bringing with it interlocking or shared directorship.

According to Savage (1984: 29), interlocking directorship in conglomerates is important because i) it reflects economic interdependencies amongst corporations, ii) it promotes active
collaboration in joint ventures, and iii), it creates a stable means of communication and liaison between corporations dependent upon each other for finance supplies and so forth. Like anywhere else, directors are in South Africa figureheads who are employed to lend prestige to corporations. By being associated with certain figureheads, companies hope to persuade investors that they have an efficient management team. Factors such as the size of the company and financial connections between them influence the level of interlocking directorships (cf. Savage, 1984). It is presumed that through the interlocking directorship system, small companies will not only be boosted financially, but they will further be ensured of good governance and that bigger companies will be furthering the aims of empowerment.

While acknowledging the prestige provided to corporations discussed above, interlocking directorship has its own disadvantage as well. As an example, at one stage Cyril Ramaphosa was a chairman of NAIL, Johnnic, TML and Molope Foods. During his tenure, as an executive director of NAIL, other directors often accused him of concentrating too much on Molope Foods’ activities, than on NAIL. The accusations were not empty as they resulted in Ramaphosa resigning from NAIL in 1999. Based on these accusations, it becomes clear that multiple responsibilities often result in the lack of focus. Secondly, the interlocking directorship undermines BEE. Thus anti-apartheid struggle leaders and figureheads such as Cyril Ramaphosa, Saki Macozoma, Moss Ngoasheng, Mashudu Ramaano and Dikgang Moseneke show up in many deals, without the rise of new ones graduating from the empowerment process. This means that the training aspect advanced by empowerment is being ignored. Thirdly, the fact that small companies are modeled on the success of bigger ones means that they cannot come up with initiatives of their own, implying that the ‘new’ black business is not at all
transformed. In some instances, some of these companies are not allowed to take business risks outside of the conglomerates.

3. Although founded on SMMEs principles, first-generation empowerment has been more about shareholding than development of small medium enterprises and job creation. Since a few people could afford shares, it means that only a few people actually took part in the process. Therefore, because only a few benefited in terms of personal wealth, the initiative was termed “self-enrichment” (see Maseko, 1999). The inability to participate in shares can be linked to various factors: unemployment and on limited knowledge about shareholding business. Based on this, it might seem that first-generation black empowerment was too economistic or financially-oriented than knowledge-based. The financial orientation could be seen in President Thabo Mbeki, who, instead of lamenting rampant job losses and unemployment, became deeply concerned about the drop of black control on the stock exchange. Despite huge investments by the unions and civic movements, the concentration of empowerment at the stock exchanges has restricted the participation of the majority of the people.

4. Through indiscriminate merging and selling, new conglomerates with pyramid structures emerged. This eventually led to a lack of focus as many BEE groups tested various markets ranging from food and financial services to broadcasting and telecommunication without really focusing on any of them. Though this strategy helps in event of a market crashes, it has its pitfalls, in particular, the inability of the company to specialise and build a strong capacity in a

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96 This point was raised during Two Way programme hosted by Ceasar Molebatsi (SABC I on 2nd, November 1999).
sector. As a result, the companies' limited resources are stretched over various markets with different needs. The profit-generating subsidiaries are then used to sustain the ailing ones, whose recovery is uncertain at times. The randomness that characterises these groups does not do empowerment any good because: i) it lacks cohesive organisation, and ii) black business, in particular does not develop when mergers and acquisitions are later reversed, thus impacting on their economic stability (see also Meintjes, 1999).

5. When getting involved in large-scale media business the majority of black executives had a limited know-how of how the media industry operates. This problem is evaluated on the basis of Sudi Sudarsanam's (1995) analyses of mergers and acquisitions. According to him, mergers and acquisitions take three stages: preparation, negotiation and integration. The first two stages deal with matters ranging from thinking about the costs involved to the signature that eventually transfers a company into a new management. These stages are normally judged in terms of the successful process of a takeover. The third stage is part of the post-acquisition phase judged mainly in terms of the new entity's operation as part of the whole within merged assets. As seen in many mergers and deals discussed in this study, many BEE groups managed to handle the first two stages well. This is exemplified by NEC's takeover of Johnic and NAIL's acquisition of the Sowetan. The subsequent unimpressive performance and the reversal of some acquisitions indicate failure at the integration stage. This can be attributed to limited knowledge of the industry on the part of BEE-installed operational controllers.

The problem of a limited-know how was also evidenced in the second phase when some of the companies rushed for the global markets. Instead of using these markets to boost what they
already owned locally, they became complacent and invested in entirely different markets, thus, somehow impacting on their performance. With the exception of a few BEE firms, many were not using this as corporate extensions, but as new ventures, which further stretched their resources. Similar to what happened with the reversal of the deals, interests in these ventures were also reduced considerably as was seen in the NAIL/Naftech case explained in chapter 2 and 5.

6. Most of the BEE firms were large consortia characterized by interlocking directorships. A few, if any, of first generation empowerment groups were individually-owned. NEC, for instance was established by approximately 50 random black business groups, which included trade unions, and civic organisations as represented in fig.7, who borrowed capital from various banking institutions. So the joint contribution of capital by members was critical for the survival of these consortia. While acknowledging the importance of large consortia under these circumstances, they have contributed to the downfall of first-generation empowerment in the first phase. This relates to the high interest carried by these loans and the frequent personality clashes that dented the image of the companies. Consequently, they inhibited the progress of the company in terms of attracting potential national and international investors.

7. Following the post-apartheid market entry euphoria many BEE firms underestimated the market. This problem is manifested through the lack of financial reserves, and indiscriminate mergers and acquisitions. Financial reserves are important because they guard against unforeseen circumstances such as market crashes, inflation and fluctuating interest rates. Taking Johannic as an example, the company was already in debt, even before it could start operating as
an empowerment firm. The little profit that it generated was used to repay loans, leaving it with no financial reserves. With every financial transaction that it carried out, it was plunged further into debts. This was illustrated by its inability to feature anywhere on the Sunday Times rankings based on taxed profits in 1998. Despite its massive assets, the company was also ranked 88th on return on capital (Sunday Times Business Times, 15 November 1998: 19).

Financial reserves are also important for further economic expansion. Many BEE groups were complacent about entering the media industry (Klein, 1999; Sunday Times Business, 30 July 2000), investing all the available capital and resources indiscriminately. When the market experienced a terrible downswing, they could not easily manoeuvre into other sectors because of lack of capital as was exemplified by Midi e-tv’s case. The consortium sank huge resources into the television sector, a market already dominated by M-Net and the SABC. In an attempt to compete with the duo, Midi e-tv found itself hamstrung by astronomical operational costs. To attract more audiences and advertisers, Midi needed the financial reserves to challenge both SABC and M-Net. However, given the duo’s long history in the market, reflected through their infrastructure and huge audience base, competing with them was extremely difficult. Midi’s idea of ‘African programming strategy’ was a good step to begin with, but it required large sums of money which minority shareholders did not have. As a result, the consortium was left in a dilemma: either to retain the existing shareholding structure and look on helplessly as the station was plunged into bankruptcy; or, alternatively, to change the shareholding structure so that people with capital could be brought on board to save the station. Apart from undermining BEE principles, the last alternative needed approval from the IBA which had issued the station’s licence on the basis of the existing shareholding structure.
8. Not many BEE firms were listed on the stock exchange. This was quite ironic given the centrality of the economic dimension to the empowerment initiative. Although public listing was not a major problem for first-generation empowerment companies, it contributed in one way or another to their subsequent woes. As seen in many instances, listed companies have the opportunity to compete in the mainstream market. By being listed, a company i) is marketed beyond the national borders, ii) may be monitored by potential investors in terms of its performance over a period of time; and iii) agrees to transparency relating to dissemination of corporate news and information. Of approximately 20 media groups operating under the name of BEE, more than half were not listed. The inability to enlist contributed to the decrease in black control of the JSE from 9.6 in 1996, to 6.8% in 1999 as companies like TML de-listed.

9. First-generation empowerment was modelled and managed on the MBA training phenomenon. This encompassed all the issues above including the direction of BEE as a whole, especially market underestimation, shareholding confinement, the limited know-how, indiscriminate mergers and acquisitions and loose consortiums. All these problems emanate from the MBA phenomenon, which influences the way in which BEE was conceptualised and practised. This phenomenon has brought uniformity in management style to all sectors of the economy in South Africa through its ‘one size fits all’ syndrome. In this regard, management is an end in itself, rather than a means to an end. Although the MBA phenomenon has proved its successes elsewhere, it fails to account for the media firms as driven by cultural and economic

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The last company to list on the JSE in 1999 was UAM representing 1.9 million workers. The company owns 50% of Tswelepele Production which is the producer of SABC’s Top Billing, Kaya Fm, YFM and Screen World. The company further acquired a 60% stake in Sportsbroadcasting and Management Company, Upton Sports and Leisure
considerations manifested in the regulation governing them. The combination of cultural and economic considerations are also complicated by the dualism character of the media industry (Picard, 1989). The incompatibility of the media industry and the MBA phenomenon is seen in the way it continues to fuel the tension between BEE firms and regulators and labour movements. In other words, as BEE firms attempted to buy more assets into the media industry or bring new shareholders on to the firm, as was the case with Midi e-tv, the regulators often turn them down. This is because the regulators want to protect the industry from having a concentrated ownership. The same cannot be said of other sectors where conglomerate and concentration are not strictly prohibited.

**Historical problems**

At the historical level, the study found that from BEE’s inception:

1. The majority of the black investors, as exemplified by NEC and HCI via Midi, did not have enough capital to sustain their investments. As profit was not quickly generated, they were thrown deep into financial crisis. Though the government established the National Empowerment Fund (NEF) in 1998 to bolster the initiative, this fund was of limited use because there were too many companies claiming to spearhead BEE, and the government had to wait for the successful privatisation of assets like Telkom and Transnet to be completed before capital could be channelled into the fund. Again, the criteria for the payout were going to be difficult, as there were too many empowerment groups.

As the process was further delayed, needy empowerment groups continued to feel the effects of...
the market. This was in deep contrast with Afrikaner empowerment, which though a contested economic phenomenon between North and South Afrikaners, was carried through when private business established funding institutions to bolster it in the different regions. As mentioned elsewhere in the study, the expansion of the public sector in the North had a tremendous effect in terms of overcoming the poor-whiteism problem (see O’Meara, 1983; Muller, 1987). Although BEE had astute individual black entrepreneurs and powerful institutions, like Nthatho Motlana and KTI respectively, its foundation was not strong enough to achieve the successes of Afrikaner empowerment. For Afrikaner empowerment, the establishment of civil bodies such as the Broederbond in the North and special funds further created an interconnection between the initiative and the various sectors of Afrikaner nationalism as advanced in the different regions. Unfortunately this is a strong foundation,\textsuperscript{98} which first-generation BEE could not claim to have. Instead, the financial institutions only provided interest-bearing loans to BEE groups, which became difficult to repay when the interest-rate regime came under pressure between 1998 and 1999.

2. The fact that BEE from its inception was initiated, enforced and driven by the government, impacted heavily on the progress of this initiative. Although the state involvement was vital as was the case with Afrikaner empowerment, many white-owned companies which engaged in the transactions involving BEE groups, were not really committed to the cause. As entailed in Madi’s (1997) external crisis stage, they were involved because of fear of the government, or alternatively, in an attempt to secure government contracts. In other words, there was too much of what Madi (1997) refers to as the “carrot and stick approach” to empowerment. In this:

\textsuperscript{98} Again, Afrikaner empowerment had Keynesian elements that have been absent from BEE. As Tomaselli (1997),
approach, companies seen to be taking part in empowerment by the government were rewarded with tax relief and government contracts. This is accurately reflected in the non-empowerment companies’ covert unwillingness to change their existing policies to accommodate black partners. As Madi (1997) explains, this contributed immensely to the failure of the traditional approach to empowerment. In other words, black partners were not recruited because of the potential that they could bring to the partnership, but instead, for public relations purposes. They were also expected to perform in an unchanged environment whose policies have been in place long enough, without the prospect of change (Madi, 1993). One deal that correctly fits this description involved Kagiso/Perskor discussed in chapter 2. There are two points that need to be reiterated about this deal: the conditions placed on Kagiso, and the level of Kagiso’s distanced involvement. As Madi (1997) explains, this kind of arrangement often results in despair and despondency demonstrated by the reversal of the deal a few years later. So it becomes apparent that, though critical, the manner in which the government was involved in empowerment left behind disastrous effects. Thus, beside the lack of genuine partnerships in the media industry, it also set a wrong precedent for BEE groups as they showed laxity and too much reliance on the government on many occasions. As an example, it was alleged early in 1999 that first-generation black empowerment groups requested the government to institute prescribed assets allocation for them. Although the groups denied such a move, they made it unambiguously clear that they would welcome it (Sunday Times Business Times, 19 September 1999: 1).

3. From the onset, BEE lacked a clear definition that might have provided focus and direction.

asserts, Afrikaner empowerment developed in a world in which Keynesian principles were internationally accepted.
both at administrative and policy level. Questions about the process included: Was BEE the de-
racialization of the economy, which stresses technical control? Was it economic advancement,
or the beginning of a knowledge-based economy coupled with enrichment? The lack of
definition does not only specify how BEE as a broad-based and long-term process should be
carried out. A definition further provides guidelines to enhance understanding for
implementation. Though various descriptions were proposed, none of them adequately
explained what BEE was all about. For example, Cyril Ramaphosa described it as the transfer
of social, political and economic power to historically disadvantaged South Africans (Sunday
Times Business Times, 9 November 1997). While this description is appreciated for its social
dimension as advanced by Kieffer (1984), one would find its goals too vague to achieve
especially in the short and medium terms given the immediate challenges posed by the high
unemployment rate and joblessness. No guarantees can be made in the long-term achievement
as well. The integration of social, economic and political factors proves that it would be
simplistic to think that one factor guarantees the other. For example, the 1994 democratic
election in South Africa transferred only political and not economic power. Therefore, such a
definition is inadequate.

4. BEE had a socialist disguise. While claiming to fight capitalism, BEE groups, particularly
trade unions, actually strengthened it by investing in big business, thus confirming what Babu
(1981: 69), calls ‘sham socialism’. “This”, he says “has only abstract platitudes… designed only
to bamboozle the people, meaning little in concrete terms” (Babu, 1981: 69). BEE’s socialist

99 These questions were triggered as new views about BEE begin to surface. Notable in this regard Phinda Mandi’s
view that ‘empowerment and enrichment are not mutually exclusive’. In other words, enrichment as he contended
‘can happen within the process of empowerment’ (City Press, 2 May 1999:3). Although looking similar, they mean
slightly different things. Embodied in them are the dichotomies of long-term knowledge/short-term capital,
foundation is also captured in Itumeleng Mosala’s definition, as “the transfer of economic power from the minority to the majority” (Itumeleng Mosala). Mosala’s definition of BEE resonates with the Freedom Charter’s demand that “the people shall share in the country’s wealth”. It would follow then that industries and trade ought to be controlled in a manner that would assist the well being of the people. Although the company is viewed as a private enterprise, it also calls on these enterprises fulfil certain obligations to society, among them, ensuring equal participation in the economy. The influence of the Freedom Charter on BEE confirms Eric Louw’s (1983) predictions prior to South Africa’s transition to democracy that “the ANC’s Freedom Charter will undoubtedly play some role in the restructuring of our society” (Louw, 1993: 104).

Although based on socialist models and influences, first-generation empowerment, nevertheless, found itself operating in an environment dominated by capitalism, manifested through privatisation, commercialisation and internationalisation. As a result, BEE had to readjust itself within the context of capitalism by striving for profit as seen in the second phase, though it is unnecessary to mention that BEE was spawned by some of these processes. Without generating profit, BEE organisations will not be sustainable. In socialist terms, the creation of surplus is the beginning of inequality because it creates class formation (cf. Babu, 1981). This is because the differentiations between skilled and unskilled labour have to be maintained. By including training and development amongst its features, BEE seeks to overcome these distinctions. As Giddens (1981) contends, socialism is easy to theorise, but difficult to implement. This is

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empowerment/enrichment and minority/majority.

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100 This statement was made during Two Way programme hosted by Ceasar Molebatsi on SABC 1 (03 November 1999) where Mosala represented Black Economic Empowerment Commission (BEEC).
because the media organisations are operating in a market, which determines their behaviour. The ability to be theorized and the difficulty in implementation are reflected in COSATU’s actions discussed in chapter 4 in which COSATU wants to engage in NDR to fight globalization while through its diverse investments it contributes towards the process. So whatever these media organisations do is shaped and driven by the realities of that market.

**Society Related Problems**

1. Unlike Afrikaner empowerment especially in the Cape, BEE emerged at a time when South Africa’s unemployment was at its highest levels (see also Duncan, 2001). This has put more pressure on BEE groups to create jobs and minimise joblessness immediately. In this regard, BEE was presented not only as the transfer of economic power from whites to historically disadvantaged blacks, but, more importantly, as a tool to redress the economic imbalances created by apartheid. Although this resembles to what Afrikaner empowerment in the North experienced with its poor whiteism problem, the difference stems from the fact that Afrikaner empowerment was aimed at helping the minority Afrikaners. In contrast, BEE has to benefit the majority with a long history of economic hardship. As a result, BEE’s success will not be seen until joblessness is minimised.

2. Less interest in community development. Although this problem was prevalent during the first phase of empowerment, it heightened during the second phase as commercial interest forced BEE firms to rush for global markets in search for profit. In other words, stock exchanges became the main focus, replacing the community thrust, which dominated the early first phase of BEE. This has certainly resulted in widespread discontentment and pessimism from the communities, which initially celebrated BEE’s inception as seen in the positive
statements that Ramaphosa received when he left parliament to join NAIL in 1997. To the ordinary people, BEE became another scheme, to make enrich a few individuals.

Market Related Problems
1. BEE was described and carried out separately and narrowly, rather than in an integrated way within the government's policy on economic growth. This was despite the enactment of policies by the government to foster empowerment. The treatment of BEE as a separate project is seen in the disjunction between the government's strict limitations on foreign media ownership on one hand, and the quest to attract foreign direct investment on the other. The strategy might have a long-term effect: resources are likely to be inefficiently used, as the government strives for economic growth on hand, and empowerment on the other. As a result, it might take BEE a long time to become a successful initiative (see also Emsley, 1996).

2. Although globalization occurred in the second phase of empowerment following heightened post-apartheid transnationalisation process, it came to have serious implications for BEE. While the impact was reciprocal as part of the mutual constitutiveness of the world system, it might seem BEE was not ready for that challenge. The lack of readiness for the global markets is manifested through the nature of investments that BEE firms have on these markets. With the exception of Johnnic via TML/Pearson partnership, the majority of BEE firms did not expand their strong performing assets into the global markets. Instead, the global markets were used as test grounds for new ventures or for negative performing assets as exemplified by NAIL and AME. Thus, although NAIL was showing some level of concentration towards print and broadcast media, it did not invest into these sectors on the global markets. AME was also not operating ticket management companies on the local markets, but it invested heavily in the US-
based Ticketmaster. While these investments could be interpreted positively as diversification, they should not have been tested on the foreign markets, especially in view of the limited knowledge by management about those markets and some managerial problems pointed out above relating to the media industry amongst BEE firms. The inadequacy of global markets as testing ground can be seen in the reversal of these transactions a few years later. Thus while NAIL reduced its stake considerably in Naftech, AME sold its stake in Ticketmaster for R35.5 million.

Another problem linking to the lack readiness of BEE firms for the global markets was the companies' weak foundation on the local markets. As mentioned in chapter 5, the majority of TNCs that flooded the local media market were corporate extensions or branches of conglomerates based in their native countries. Although having branches and assets dispersed in various markets across the world, they could still be linked to these conglomerates in their domestic markets. The opposite occurs when considering BEE firms such as UAM, who rushed for the regional markets, seen in its investment in Botswana, Malawi and Namibia while they kept minimal presence on the local market. The problem of a weak foundation on the local market became evident when UAM's joint television licence in Namibia could not take off the ground, resulting in Namibia's Communication Commission revoking the licence. The severity of a weaker foundation was again seen when the company filed for bankruptcy, thus leaving its assets with creditors, First National Bank (FNB) a few years later.

3. BEE entered the South African market when conglomeration was rampant. As a result, it could not ignore this challenge deliberately. Although it was important for BEE firms to comply
with this challenge as part of their growth and profit maximisation, the manner in which it was carried out led to the downfall of many BEE firms. In brief, BEE firms were not buying into assets that could create synergies in their operations. Instead, they were investing in assets that had no correlative relationship, thus impacting heavily on their resources and revenue streams.

Although the above findings reveal the multiplicity of problems besetting BEE, the dominance of management problems demonstrate that the crisis besieging the initiative should be attributed to the companies themselves. Thus, while historical and society problems may continue to haunt BEE, the success of the initiative seems to lie with the management of these institutions. It is the ability to confront the institutions’ management that will enable BEE firms to adapt to the changing market conditions such as globalization and conglomeration.

Prospects and Challenges

Since BEE is a product of democratic transformation, it would be meaningless if it fails to consolidate democracy by addressing the economic disparities between the different races and classes in South Africa. In relation to the media, this means that irrespective of its First World character, the South African media, as once predicted by Pieter Fourie, “will be expected to play a more active role in the development of the country and its people” (Fourie, 1994: 46). This developmental role has to do with issues relating to media access and diversity both at the level of ownership, content and form. The ownership level is critical in terms of facilitating economic growth. Thus, as historically disadvantaged groups buy into the media industry, they can use these assets as vehicles for capital creation, thereby contributing towards economic shift. Therefore, if the South African media is seen to be performing this role in a distorted way in
which empowerment has been carried out, the conflicts with social movements will continue to erupt. However, based on the perpetual way the conflict is waged, BEE is likely to remain an important discourse in South Africa. The importance should be seen despite the difficult terrain under which it operates and the different meanings and interpretations that it might have in the future. This will confirm *BusinessMap*'s predictions that

as black companies become more established as public entities,
there will be a growing trend towards consolidation and restructuring
to ensure that they are more appropriately positioned for growth, and a
favorable market valuation. As such, there is likely to be very little purity
in the empowerment mixes that will emerge (*BusinessMap*, 1999: 34).

Not only did *BusinessMap* predict the shift in BEE, it further presented the consolidation and restructuring as economic challenges facing every company operating in a market including empowerment companies in their quest for survival. Unemployment, SMMEs support, community advancement, joblessness and globalization are also critical factors that BEE has to respond to as they continue to surface throughout this study. The success of BEE seems to rest in its ability to negotiate its path through these critical factors, particularly unemployment and globalization. With high unemployment rate in the country, it is important to see how BEE will respond to this challenge. The concern is based on Madi's (1997: 72) conclusion that,

whatever can be said, whatever linguistic and hi-finance gymnastics
can be conjured up by investment bankers, real empowerment happens
when somebody gets a job. Without a job, even if there are 200 share
certificates under a mattress, genuine empowerment has not happened.

Madi (1997) posits a very important issue relating to judging the performance of a meaningful
empowerment. Empowerment is not racial substitution, but part of a larger transformation process to consolidate South Africa’s democracy (see also Boloka and Krabill, 2000). Meaningful empowerment is not simply based on racial substitution or simply de-racialization as Guy Berger (1999; 2000) calls it, but a broad-based process of transformation. Though de-racialization can be part and parcel of this process, the bigger picture should not be who replaces whom, but rather how and to what ends is this process being carried out. In other words, what are the implications of this replacement within a larger process of transformation? Under what conditions is this replacement carried out? Such a change of focus will help us to distinguish between authentic and sham empowerment or economic strategy and real empowerment. Failure to deal with these narrow approaches to transformation in the media industry will result in us missing the point, and therefore, distorted empowerment will continue to manifest through the worsening relations amongst journalists of different races (Berger, 1999; 2000). The worsening relations epitomize this racial substitution as an outcome of external crisis embodied in Madi’s (1997) traditional approach to empowerment. As mentioned previously, the worsening relations reflect the despair and despondency resulting in editors such as Fred Khumalo resigning from the Sunday World as explained in chapter 3. The reasons such as interference from management, opposition to new strategies and unwillingness to change are often contributing factors to despair and despondency leading to resignations.

Apart from demonstrating that de-racialization on its own is inadequate in understanding transformation in the media industry, the continuing animosity amongst journalists of different races is a result of confusing racial substitution and long-term process of transformation. As already indicated with BEE groups, the companies are black on the outside, but white inside,
thus, turning empowerment into another facade or pretentious initiative. Thus, while many transactions amounting to millions of rands have exchanged at the stock exchanges, they have benefited a selected few, a black bourgeoisie\textsuperscript{101} in Maseko’s (1999) terms, thereby contributing less to real capital shift to address the escalating unemployment (Duncan, 2001).

Although the government might be committed to empowerment, its efforts will always be challenged by its quest to attract foreign direct investment. As seen in the government’s contradictory positions highlighted in this study, this aim will compel it to create a growth-friendly environment while protecting empowerment as the same time (see Emsley, 1996). The difficulty of carrying out empowerment will further be exacerbated by the fact that empowerment has to be carried out within democratic principles as mentioned in chapter 4. In other words, the government cannot impose empowerment without respecting human and property rights issues. This can never be said of the much-celebrated Afrikaner empowerment from which BEE wants to borrow. Afrikaner empowerment benefited the minority at the expense of the majority, inconsiderate of human and property rights. As Emsley (1996), points out, the initiative was carried out at the cost of the rest of the population and the economy. In contrast, argues Emsley (1996: 87),

\begin{quote}
In today’s world economy there is little space available for similar programmes (empowerment) to benefit black population. The example (Afrikaner empowerment) is so dangerous because any attempt to follow such policies would be disastrous...To expand the public sector and prematurely curtail moves towards reintegration with the world economy would result in continued economic stagnation.
\end{quote}

\textsuperscript{101} For Tomaselli (1997) this has continued class domination and that has been a point denounced by Berger (1999:}
The quest to attract foreign investment is part of globalization as a challenge to BEE. It attests to Doreen Massey’s (1994: 161) assertion that,

each geographical ‘place’ in the world is being realigned in relation to the new global realities, their roles within the wider whole are being reassigned, their boundaries dissolve as they are increasingly crossed by everything from investment flows, to cultural influences, to satellite TV networks.

Massey’s conclusion is influenced by the fact that whether we are local in our approach to BEE, globalization is a process, which affects all. So being purely local in a world driven by global phenomena inconceivable. As Garcia Canclini (1995: 229) concludes, “we can no longer be able to live our lives entirely locally: our cultural experiences are pervaded by distant influences...”. These cultural experiences will influence and pervade BEE. Though this presents globalization as a major challenge for empowerment, it is not, as Julian Thompson (1999: 14) asserted, “a condition for economic success”. Therefore, there has to be a balance between the local and the global.

Given these challenges, how should BEE’s problems be solved? Based on the findings above, the section below offer some solution on the problems faced by BEE.

Concluding Remarks and Recommendations

1. Capital is a critical factor in every business venture. Some points within the study alluded to the fact that BEE firms were product of capital-lending mechanism. Although this is an important factor in offering start-ups capital for BEE, the subsequent interests accumulated

113) based on the fact that it is indicative of an absolutist brand of politics.
by these loans had a major draw back on BEE, thus making them difficult to sustain themselves. In response to this problem, I would like to borrow from a Northern Sotho proverb: *Digola ka go amušetšana* literally translated as if the 'calf's mother dies, it does not have to die of hunger, but it can suck from other cows'. At a deeper level, the proverb is a metaphor denoting that one does not have to perish because one does not have resources. There are two elements carried by this proverb: coordination, cooperation, mentoring and support as entailed in Kieffer's (1984) advancement. Within the context of BEE, this means that the partnerships that these firms forge should ensure that they contribute towards their advancement. This means that they should be provided with the necessary support to reach the competitive levels. This metaphor offers a valuable lesson on how capital can be generated in empowerment. While it acknowledges the importance of capital-lending, the metaphor discourages it as a way to capital creation. This statement comes in the wake of the high interest rates resulting from inflation.

2. As much as the government is an important role player or actor, it should not be viewed as a representation of empowerment. Like all other role players, private business and unions, its role and mandate has to be clearly defined within their context. Within this definition of roles, the government should succinctly outline its policy on empowerment. Though this step might seem reductionist, it will help in terms of identifying roles for each player. Otherwise, the conflicts alluded to in chapter 4 are unlikely to cease. Based on this study, it might seem the conflict is exacerbated by the lack of defined roles and policy framework governing each player involved. As an example, it is often emphasized that private business should get involved in empowerment, without explaining in what capacity and to what extent. This confirms the inadequacy of a disjointed approach to social formation.
emphasized throughout the study, in the sense there is no sense of wholeness or structuration in Mosco’s (1997) terms. Thus, every role player’s action in empowerment is understood in isolation rather than part of the social whole.

3. As Majakathata Mokoena (2000) recommended, informal sector (SMMEs) should be the cornerstone of BEE. Contrary to the highly competitive formal sector built on stock exchanges, this sector is not susceptible to economic recession or downturn. Again, it has a strong community or social orientation, therefore suggesting that it will benefit the grassroots population on various levels such as job creation and development. As Madi (1997) has pointed out, this requires concentrating less on stock exchanges and shareholding, but more on meaningful empowerment, which can only be achieved through the creation of jobs. In other words, there has to be a balance between the economic dimension emphasized in the second phase of empowerment and the social dimension, which seemed to have been forgotten by BEE firms as shown in the study.

4. A precise definition describing what empowerment is should be designed. This definition should be within the context of the changes brought by the factors raised above. Labeling every company that is owned by blacks as an empowerment company is inadequate, therefore unfair to some of the companies not requiring that status.

5. Although shareholding is important for capital creation within disadvantaged groups, the limited number of people participating indicates that it may be a discouraging factor for empowerment.

6. Given the power of globalization and the way in which it has changed and shaped empowerment in its second phase, BEE should not undermine nor underrate this process, but rather strengthen itself within its context. Such a strategy will render BEE compatible with
the changes taking place both in South Africa and across the world. However, that does not translate globalization as a necessary condition for the success of BEE, therefore requiring BEE firms to determinedly rush for global markets. As Emsley (1997: 104) points out, “South African investment needs to be led by domestic investors; only then are foreign investors likely to commit themselves to large-scale project”.

7. Although owning multiple assets is good for economic success, it is not a necessary condition for survival. This becomes worse if these assets are operated in a fragmented way rather than as parts of the whole. It has to be confirmed that media ownership is something new to many BEE firms. While it is important to be vertically integrated, BEE firms should strive for synergies. This will ensure that the assets that they own complement each other with relative ease in a way that it can benefit BEE firms.

8. BEE should rid or dust itself of ideological inclinations, which saw the clash of various role players as discussed in chapter 4. Although BEE has become an arena where ideologies such as communalism, socialism and capitalism continue to clash, it is not the unconditional adherence to one of these systems that will guarantee the success of empowerment. So the application of either of the systems should be done with extreme caution. The history of communalism attached to African societies and the collectivist socialist tradition of the apartheid struggle demonstrated that the two systems would continue to shape empowerment. This occurs within rampant capitalism sweeping through modern societies. Therefore, there has to be an integrated way in which these systems can be applied to complement each other.

9. Since its commencement, BEE has never received an integrated effort. The study therefore recommends coordinated strategies of carrying out empowerment, rather than a haphazard
and isolated manner in which the process was carried through in its first few years. This requires integration within the government’s policy on economic growth so that problems such as unemployment, poverty reduction, ownership and control, employment equity can be addressed in a coordinated and broader way.

10. The media industry is quite unique. This is based not only on the dualism aspect derived from audience/advertiser relationship, but the nature of regulation governing the media industry. In other words, every strategic plan for expansion that a media firm engages should take cognizance of the regulatory constraints. Therefore, applying ‘one size fits all’ or MBA strategies borrowed from other sectors can be suicidal at times.

11. Although being listed connects with shareholding, it can work better if integrated with and connected to SMMEs. This recommendation is made within the context of high unemployment rate and some problems raised in 5 above.

Finally, this study has demonstrated two-pronged strengths: theoretically, the combination of media economics and political economy has helped in analyzing the market in which BEE operates and the power wielded by various institutions within South African society and how these markets and institutions shape BEE. On the content level, the study has demonstrated its strength by raising and discussing various and important issues connected to empowerment in the media industry ranging from its origin to the problems and challenges faced by the discourse. It has shown that since initiatives are part of transformation, they are often contested because they are challenging the existing traditions within societies. In South Africa, empowerment was a challenge of apartheid economic policy which as a tradition has been in force for a number of years. As it was the case with Afrikaner empowerment, it is only the level of power exercised
and effort by those involved that will determine the success of empowerment initiative. Otherwise, it will be a myth that will be diluted once a few selected individuals have enriched themselves.

**Further Possible Research**

Like all new frontiers, the empowerment arena is a bit of a free-for-all right now. Whilst it could be argued that let the ‘invisible hand’ of the market sort it all out, I would argue that the serious financial loss that those who are truly deserving for empowerment suffer..., warrants government intervention to establish the acid test for genuine empowerment in so far as the awarding of government contracts is concerned (Madi, 1997: 102).

The above quotation contains two important points which tend to summarize the manner in which empowerment is carried out. The first point relates to empowerment as an open and an individualistic process relying solely on the commitment of individual firms. The second one concerns the market as the determinant of the process itself. Amidst these points, the ‘government intervention’ is highlighted as a very critical in facilitating the process. The latter requires proper procedure based on responsive, open and consistent policy framework. In a country resembling South Africa’s history, a policy should be considered responsive if it addresses public participation and socio-economic equity both in terms of gender and race. Based on the way institutions such as ICASA, in particular, and tender system operate in the South African media industry, it is interesting to notice the manner in which empowerment has infiltrated policy-making process. In other words, as mentioned in chapter 4, new firms applying for the media licences or tenders have to demonstrate in one way or another, how they will contribute to empowerment. Such is, undoubtedly, a very important step in ensuring the success
of BEE. Therefore, it warrants a research examining the impact of, or the relationship between
BEE and policy-making process in post-apartheid South Africa. In this research, two issues
remain crucial and should therefore serve as guidelines because they are the cornerstones of
democracy: namely, freedom of expression, mortality and basic human rights. The centrality of
these issues originates from their long absence in the history of the apartheid South Africa.
Morality is borrowed from Mosco’s (1997) political economy in an attempt to raise
consciousness within the media industry that using empowerment for self-interest or enrichment
is completely wrong. This applies to both empowerment and non-empowerment companies.
Although not prominently discussed in this study, most of the BEE firms were using
empowerment status to further their economic interests. As a result, empowerment was not
distorted by white owned companies only, but also BEE firms. Finally, in its pursuit of job
creation for historically disadvantaged Africans, BEE should not fall in the traps of apartheid by
translating itself into reverse economic exclusion. Such mistake will undermine and reverse the
same democracy that empowerment wants to consolidate because economic exclusion is a
foundation of hatred, fear, hostility and violence, which are all inimical to democratic stability.
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